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A Study of Current Practice of Corporate Social Responsibility (CSR) and an Examination of the Relationship Between CSR and Financial Performance Using Structural Equation Modelling (SEM)

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A study of current practice of Corporate Social Responsibility (CSR) and an examination of the relationship between CSR and Financial Performance using Structural Equation Modelling (SEM)

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December 2009

Submitted in fulfilment of the requirements for the degree of Doctor of Philosophy in the college of Business, Dublin Institution of Technology.

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Prof. Colin Crouch

Abstract

There has been a significant increase in interest in CSR in recent years (Gulyas, 2009; McGehee et al, 2009) and it is regarded as an important topic for research (Burton and Goldsby, 2009). Not only has this topic received academic attention but it is becoming a mainstream issue for many organisations (Renneboog et al, 2008; Nijof and Brujin, 2008). However, it has been noted that research on CSR in SMEs is quite scant (Burton and Goldsby, 2008; Cilberti et al, 2008). A second area of literature that remains unresolved is the relationship between CSR and financial performance (Park and Lee, 2009). Lastly, there also remains a lack understanding concerning CSR in Ireland (O'Dwyer et al, 2005). After a thorough analysis of the literature in the area, semi structured interviews were carried out with a small sample of large firms and SMEs operating in Ireland, spanning a variety of industries. A survey was then developed and administered via internet and post; the analysis of which contributes toward filling these research gaps.

In determining an operational meaning of CSR and uncovering the nature, type and extent of CSR of firms operating in Ireland, the research differentiates between large firms and SMEs. Thus this research contributes to the much needed insight into CSR in SMEs (Perrini and Minoja, 2008). While the majority of small firms believe they should pay attention to their social and environmental responsibilities, the main barrier to undertaking CSR experienced by SMEs is time, followed by cost and lack of human resources. This is in line with literature (Jenkins, 2006; Roberts et al, 2006). The perception that CSR is not related to the firms activities or that it is not a concern to SMEs are not considered major barriers by SME respondents.

Described as the holy grail of CSR (Jorgensen and Knudsen, 2005) the relationship between CSR and financial performance represents the most questioned area of CSR (Angelidis et al, 2008). While a lot of research points in favor of a mild positive relationship (Orlizky et al, 2003), this connection has not been fully established (Neville et al, 2005; Prado-Lorenzo et al, 2008; Park and Lee, 2009) and the mechanisms through which financial performance is enhanced by CSR is not well understood (Doh et al, 2009). This research uses a more detailed method of analysis than that which has been previously used to assess the relationship between CSR and financial performance, thus goes some way toward answering the call for a more fine grained approach to measuring this relationship (Hillman and Keim, 2001).

In line with previous studies (Hitchens et al, 2003) a moderate positive relationship was noted between CSR and financial performance when analyzed directly. However, it is through an analysis of the indirect relationships that insight is developed. CSR was found to have a strong positive relationship with social reputation, employee attraction, motivation and retention and consumer attraction and loyalty but a weaker relationship with other business benefits proposed to result from CSR, namely; access to capital and business reputation. This dissertation concludes with a discussion of the implications of these findings as well as recommendations for further research in the area.

Declaration

I certify that this thesis which I now submit for examination for the award of Doctor of Philosophy, is entirely my own work and has not been taken from the work of others and to the extent that such work has been cited and acknowledged within the text of my work.

This thesis has been prepared according to the regulations for postgraduate study by research of the Dublin Institute of Technology and has not been submitted in whole or in part for an award in any other Institute or University.

The work reported on in this thesis conforms to the principles and requirements of the Institute's guidelines for ethics in research.

Signature_________________________________ Date_________________

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Table of Contents

List of Figures

List of Tables

Abbreviation Table

Abbreviation	*Explanation*
BITC	Business In The Community
CEP	Council of Environmental Priorities
CRM	Cause Related Marketing
CSR	Corporate Social Responsibility
CSR2	Corporate Social Responsiveness
CSP	Corporate Social Performance
FA	Factor Analysis
ISME	Irish Small and Medium Enterprise Association
KLD	Kinder Lyndenberg & Domini
LISREL	LInear Structural RELationships
MVA	Market Value Added
SEM	Non Governmental Organisation
NGO	Structural Equation Modelling
SME	Small or Medium sized Enterprise
SRI	Socially Responsible Investing
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
ROS	Return on Sales

Introduction

There has been a significant increase in interest in Corporate Social Responsibility (CSR) in recent years (Young and Thyil, 2009; Park and Lee, 2009; Gulyas, 2009; McGehee et al, 2009) and it is now regarded to be at its most prevalent (Renneboog et al, 2008) representing an important topic for research (Burton and Goldsby, 2009). Recent corporate scandals have attracted public attention and highlighted once more the importance of CSR (Angelidis et al, 2008; Evans and Davis, 2008). Not only has this topic received academic attention (Burton and Goldsby, 2008) but it is becoming a mainstream issue for many organisations (Renneboog et al, 2008; Nijof and Brujin, 2008).

This research represents a study of current practice of Corporate Social Responsibility of both large firms and SMEs operating in Ireland and an examination of the relationship between CSR and financial performance through Structural Equation Modelling. Thus, this research aims to contribute to three research gaps in the literature. Firstly, as this research is one of very few concerning CSR in an Irish context it will contribute to the lack understanding concerning CSR in Ireland (O'Dwyer et al, 2005). The findings of this research provide real insight into the nature of CSR in the Irish sector. It evaluates the type of activities undertaken and the extent to which these arecitivities are undertaken by firms operating in this sector.

Secondly, it has been noted that research on CSR in SMEs is quite scant (Burton and Goldsby, 2008; Cilberti et al, 2008). This is thought to be the case because the greater public visibility of large firms creates interest in this sector (LePoutre and Heene, 2006) and leads to greater public scrutiny of these firms (Fox, 2005). This research pays specific attention to the SME sector, thus contributes to the limited body of work in this area.

Such research is important because SMEs represent a vital part of every economy (Fox, 2005), this is certaintly the case in the Irish economy. According to Spence et al (2001) neglecting SMEs from CSR research far from represents the entire story. SMEs are not miniature versions of large firms (Williamson et al, 2006). SMEs are different in nature to large firms, thus CSR is likely to differ between large firms and SMEs (LePoutre and Heene, 2006). They tend to have a different structure (Perez-Sanchez, 2006) and management style (Tilley, 2000). This research provides key findings that contribute to the understanding of CSR in SMEs.

Finally, described as the holy grail of CSR (Jorgensen and Knudsen, 2005) the relationship between CSR and financial performance represents the most questioned area of CSR (Angelidis et al, 2008). While a lot of research points in favor of a mild positive relationship (Orlizky et al, 2003), this connection has not been fully established (Neville et al, 2005; Prado-Lorenzo et al, 2008; Park and Lee, 2009) and the mechanisms through which financial performance is enhanced by CSR is not well understood (Jawahar and McLoughlin, 2001; Doh et al, 2009).

This research uses a more detailed method of analysis than that which has been previously used to assess the relationship between CSR and financial performance. The findings not only measure the direct relationship between CSR and financial performance but explain this relationship through imtermediary variables identified in the literature (Waddock et al, 2002; Williams, 2005; Roberts et al, 2002) as the implications of CSR. The relationship between CSR and each of these variables is also measured, thus answering the call for a more fine grained approach to measuring this relationship (Hillman and Keim, 2001). Three objectives have been developed.

Objective One: *To determine an operational meaning of the term CSR (differentiating between large and small firms).* Although the concept of CSR is widely discussed in theory and practice (Young and Thyil, 2009; Park and Lee, 2009; Gulyas, 2009; McGehee et al, 2009) a universally accepted definition of the concept is yet to emerge (Khanna, 2008). This has lead to a limited conceptual understanding of CSR (Idemudia, 2008). The first objective of this research is to uncover an operational meaning of the term in an Irish context.

Objective Two: *Uncover the nature, type and extent of CSR (differentiating between large and small firms).* In an effort to close the gap in research on CSR in Ireland (O'Dwyer et al, 2005), the second objective of this research is to determine the type and extent of CSR currently conducted by firms operating in the Irish sector. As such this research represents a response to Margolis and Walsh (2001) call for research on *how* firms conduct CSR.

Objective Three: *Evaluate the relationship between CSR and financial performance.* This research adopts a more sophisticated and advanced research methodology than previously used in this area to assess and explain the nature of the relationship between these two variables. This research uses structural equation modelling, a method that has been used in the area of CSR previously (Johnson and Greening, 1999) but has yet to be used to test this relationship despite Rowley and Berman's (2000) argument that SEM may provide insight into the relationship between CSR and financial performance.

This method will therefore simultaneously measure the links between CSR and each business benefit predicted to follow from CSR, including enhanced employee attraction, motivation and retention; customer attraction and loyalty; access to capital and firm reputation. The method will also measure the relationship between each of these benefits and financial performance. According to Jawahar and McLaughlin (2001: 399) in most studies 'the reasons for expecting a relationship are not clearly articulated'. This begins the process toward answering the call for fine grained ideas about each stakeholder group (Harrison and Freeman 1999; Hillman and Keim 2001). Brammer et al (2007) and Maignan and Ferrell (2001) note that there is an abundance of studies on CSR and financial performance but considerably less research has addressed the impact of CSR on different stakeholder groups, the business benefits of CSR. The following represents the proposed model of the relationship between CSR and financial performance.

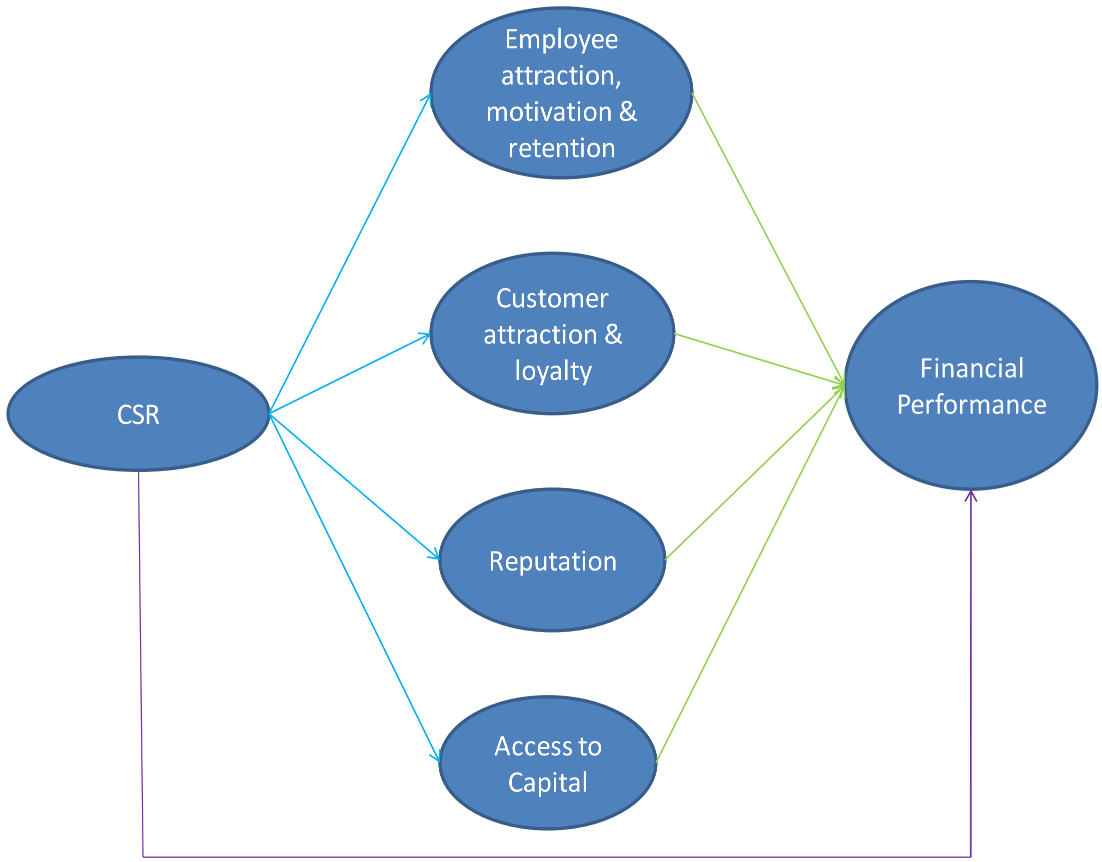

Figure 1: **Proposed Model of CSR and Financial Performance Relationship**

Semi-structured interviews have been chosen as a form of exploratory research to aid in the development of the mail survey due to the under-researched nature of CSR in an Irish context. Described as a convenient and established method of gaining deeper understanding in social research (Bauer and Gaskell, 2000; Fontana and Frey, 1994), this method has been previously employed in the area of CSR (Whitehouse, 2006) and specifically in relation to CSR in SMEs (Friedman et al, 2000; Tilley, 2000; Spence and Rutherfoord, 2001).

Representing one of the most common research methods (Babbie, 2004), the survey method has been employed in the area of CSR for decades (Parket and Eilbirt, 1975; Aupperle et al, 1985; Dooley and Lerner, 1994; Gulyas, 2009; McGehee et al, 2009). The use of both methodologies allows for greater depth of knowledge to be obtained. According to Bryman (1988) such a strategy would seem to allow the various strengths of each methodology. Indeed the strength of one methodology may overcome the weakness of another.

Organisation of the Thesis

The first three chapters of this research comprise of a literature review. Chapter One introduces the reader to the topic of CSR. It provides an in depth discussion of stakeholder theory. In line with the argument that CSR is most comprehensively studied through the lens of stakeholder theory (Wang, 2008; Agle and Mitchell, 2008), this research draws quite extensively on this theory. The concept of CSR is then defined and its legitimacy debated.

Chapter two focuses on the relationship between CSR and financial performance. Previous studies are outlined to uncover the findings of these studies and to analyse the methodology employed in the studies in an effort to learn from and improve on past studies. While the majority of studies point in favour of a positive relationship between these two variables it is well documented that the mechanisms through which financial performance is enhanced by CSR is not well understood (Doh et al, 2009). Thus, a possible explanation for this is outlined.

In the final literature chapter attention is turned to an important sector of any economy: SMEs. The different nature of SMEs and large firms is outlined and in particular their implications for CSR. The proposed barriers experienced by SMEs when conducting CSR are also outlined. These include resource constraints such as human, financial and time constraints and a perception that CSR is an issue that is not of concern for organizations of their size.

Adopting a similar approach to Spence and Rutherfoord (2001) semi-structured face to face interviews were conducted with fourteen firms operating in Ireland. These include both large firms and SMEs spanning a wide variety of industries. Chapter four outlines these in-depth interviews which have been employed as exploratory research. The main findings of this stage of research are outlined along with their implications on the second stage of research, the survey which is the focus of chapter five.

The mail survey is introduced and both the advantages and drawbacks of this method are outlined in chapter five. One drawback that is of particular importance to this research is Social Desirability Bias, this is discussed and possible methods to overcome it are explored. Next, the development of the survey used in this research is outlined. The pretest and pilot test are also described along with the main findings from this test.

Chapter six outlines the initial findings of the questionnaire analysis. Background information on the respondents and their firms is provided. Findings are then analysed under each objective. This chapter focuses mainly on the first two objectives which uncover an operational meaning of the term CSR and the nature, type and extent of CSR activities. Objective three is then analysed in chapter seven.

Chapter seven provides an introduction to SEM. The necessary data screening for SEM is outlined, followed by a review of the main steps of SEM. Next, an analysis of the development process for the scales of the model is outlined. From an analysis of previous studies it became apparent that a measure of CSR would have to be developed for this research. Drawing on the relevant literature a scale was developed which incorporated activities geared toward customers, employees, the community and environment. The findings of the proposed model are then discussed in detail.

Chapter eight concludes the thesis; emphasis is placed on the contribution this thesis has made to the body of research on CSR. This chapter then outlines the limitations of the study and outlines recommendations for future research. Finally, the chapter concludes with the managerial and practical implications of the study.

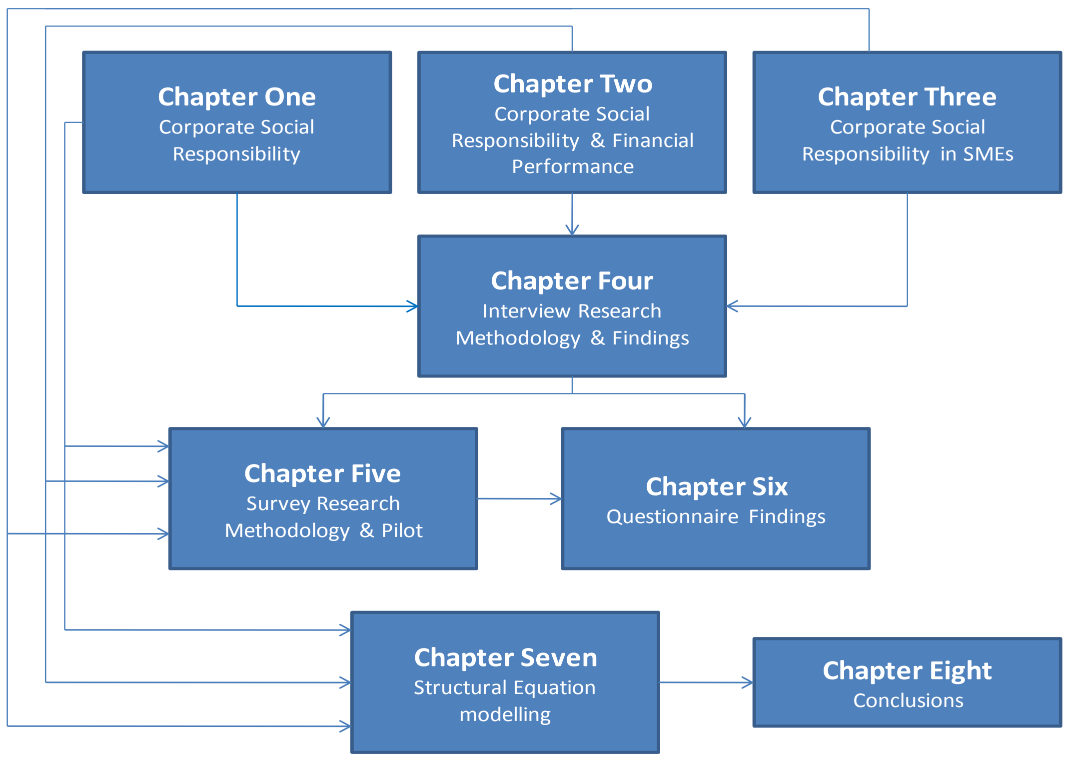

Figure 2: Structure of the Thesis

Chapter One: Corporate Social Responsibility

1.1 Introduction

Society's expectations of business have increased in recent years (Turker, 2009a). In the face of high levels of insecurity and poverty, the backlash against globalisation, ozone depletion and mistrust of big business, there is growing pressure on business leaders and their companies to deliver wider societal value (Jenkins, 2006). This is heightened by more extensive media reach coupled with advances in information technology, in particular the internet, which has allowed rapid and widespread exposure of alleged corporate abuses in even the most remote corners of the world, such as Shell Oil spills in Nigeria and Nike's exposure of Sweatshop labour conditions in its subcontractor operations in Asia.

There has been a significant increase in interest in CSR in recent years (Basu and Palazzo, 2008; Angelidis et al, 2008; Young and Thyil, 2009; Park and Lee, 2009; Gulyas, 2009; McGehee et al, 2009) and is now at its most prevalent (Renneboog et al, 2008; Turker, 2009a) representing an important topic for research (Burton and Goldsby, 2009). Recent corporate scandals have attracted public attention and highlighted once more the importance of CSR (Angelidis et al, 2008; Evans and Davis, 2008). Not only has this topic received academic attention (Burton and Goldsby, 2008) but it is becoming a mainstream issue for many organisations (Renneboog et al, 2008; Nijof and Brujin, 2008). It is now widely recognised by business leaders that their companies need to accept a broader responsibility than short-term profits (Knox et al, 2005). One study found that more than 80% of the Fortune 500 companies address CSR issues (Bhattacharya and Sen, 2004).

This chapter unfolds as follows; firstly, the debate between shareholder and stakeholder theory is presented. Stakeholder theory is dealt with in quite some depth in this thesis, because CSR is conceptualised through the lens of stakeholder theory (Prado-Lorenzo et al, 2008; Wang, 2008; Vaaland et al, 2008; Agle and Mitchell, 2008; Agatiello, 2008).

The term ethics is briefly introduced to differentiate between this term and CSR. Next attention turns to defining CSR: the evaluation of definitions provides a guide to the changing thought on the subject. The debate surrounding the legitimacy of CSR is then discussed; arguments both in favour of and against the concept are discussed.

1.2 Stakeholder versus Shareholder Theory

From the time of Adam Smith, through the age of industrialization, the Great Depression and the recent half-century globalization and prosperity, the purpose and role of business has been a focus of debate (Post et al, 2002). Much of the debate has revolved around two hierarchal positions; namely shareholder theory and stakeholder theory (Rugimbana et al, 2008). Shareholder theory represents the classical approach to business, according to this theory a firm's responsibility rests solely with its shareholders (Cochran, 1994). On the other hand stakeholder theory argues that organizations are not only accountable to its shareholders but should balance a multiplicity of stakeholders interests (Van Marrewijk, 2003). These two competing views of the firm contrast each other so sharply that stakeholder and shareholder theories are often described as polar opposites (Shankman, 1999).

Both theories are explained and arguments in their favor are set out. The basis of stakeholder theory is then set out before turning attention to the practical issue of defining individual stakeholders.

1.2.1 Shareholder Theory

Referred to a classical (Karake, 1998; Rugimbana et al, 2008) or fundamentalist (Curran, 2005) theory, shareholder theory holds that the firm is (and should be) managed in the interests of the firm's shareholders (Cochran, 1994). According to this theory the purpose of the company is to provide return on investment for shareholders and thus corporations are seen as instruments of creating economic value for those who risk capital in the enterprise (Greenwood, 2001). It is believed that the sole constituency of business management is the shareholders and the sole concern of shareholders is profit maximization. Any activity is justified if it increases the value of the firm to its shareholders and is not justified if the value of the firm is reduced (Cochran, 1994). Corporate expenditure on social causes represents a violation of management responsibility to shareholders to the extent that the expenditure does not lead to higher shareholder wealth (Ruf et al, 1998). This theory is precise, makes sense in a mechanistic way and provides clear guidelines for managerial behavior (Mudrack, 2007). According to Levitt (1958) such an approach enhances the long term survival and success of the firm.

Moore (1999) justifies Shareholder Theory on the basis of Property Rights and Agency theory. Property Rights posit that shareholders own a firm by virtue of owning equity shares and moreover, that they wish to maximize the value of those shares. Managers who fail to maximize shareholder wealth are violating a moral property right by spending, if not stealing shareholder money (Philips, 2004). According to Sternberg (1996) owners organized (or alternatively purchased) the firm and are constitutionally entitled to the residual fruits of their investment, otherwise the organization is by definition a ‘not-for-profit’.

In relation to Agency Theory, the conventional argument is that company managers and shareholders are involved in an agency relationship. The managers, acting as agents to their clients (the shareholders), have a responsibility to pursue their client’s best interest (Moore, 1999). In relation to shareholder theory, this implies that company managers are obliged to adhere to the objective of maximizing long-term owner value.

Shareholder theory has been widely misrepresented; often quoted at its most extreme. For example, it is sometimes misstated as urging managers to ‘do anything you can to make a profit’ (Smith, 2003:86). Most followers of shareholder theory quote Friedman’s (1970) argument that the only social responsibility of business is to increase profits, however, many omit the latter half of his quote which argued that a firm should abide by legal and societal expectations (Carroll, 1998). Further, it is sometimes claimed that shareholder theory prohibits the use of corporate funds for social use. In fact, shareholder theory supports those efforts insofar as such initiatives are in the best interest of shareholders. Friedman (1970) believed that the only acceptable reason for engaging in CSR was if it is motivated by self-interest and for the purpose of promoting the company's interests. If corporate charitable giving contributes to profit making then it is fully acceptable.

Shareholder theory and the belief that companies should be run purely in the interests of their shareholders has been challenged over the last decade (Low and Cowton, 2004). As far back as the early 1980s, Van Auken and Ireland (1982: 1) argued 'the era is past when the business community could make profit and stockholder interests its only considerations'. Agatiello (2008) argues that the notion of profit maximization as the sole objective of the firm is an observable fallacy. He argues that the nature of the firm in modern times is too complex to be explained through such a reductionist approach. Indeed Agle and Mitchell (2008: 153) found its opposing theory, stakeholder theory to be "alive, well and flourishing".

1.2.2 Stakeholder Theory

Stakeholder theory has emerged as an alternative to shareholder theory (Spence et al, 2001). The term stakeholder explicitly and intendedly represents a softening of (if not a fundamental challenge to) strict shareholder theory (Windsor, 2001). This theory recognizes the fact that most, if not all firms have a large and integrated set of stakeholders (Cochran, 1994) to which they have an obligation and responsibility (Spence et al, 2001).

This theory challenges the view that shareholders have a privilege over other stakeholders (Freeman and Reed, 1983). In essence, stakeholder theory is a rhetorical response to financial theories that assert that firms should focus only on maximizing the economic interests of shareholders, the residual owners of the firm (Orts and Schulder, 2002). Shareholders, it is argued, are merely one of the several claimants on the firm (Heath and Norman, 2004). Thus stakeholder theory embodies the need to balance the claims of shareholders with these of other stakeholders (Ruf et al, 1998). According to Kaler (2003) the stakeholder approach involves a basic reformist stance toward shareholder theory, seeking to move it in the direction of greater equity and a less single-minded concentration on owner's interests rather than replacing it entirely.

According to Goodpaster (1991) the term 'stakeholder' has been invented as a deliberate play on the word 'shareholder' to signify that there are other parties having a 'stake' in the decision making of the modern corporation in addition to those holding equity positions (Carson, 2003). Providing an interesting slant on shareholder theory, Deck (1994) acknowledges the purpose of the organization is to create wealth and distribute this among investors. However, he does not limit investors to mere shareholders and includes other groups such as employees and society who make investments in organizations in the form of knowledge, skills and infrastructure.

Post et al (2002: 19) define stakeholders as 'individuals and constituencies that contribute, either voluntarily or involuntarily, to its wealth-creating capacity and activities and that are therefore its potential beneficiaries and/or risk bearers'. The resources provided by stakeholders can include social acceptance as well as more obvious contributions such as capital, labor and revenue. Halal (2000) argues that the resources contributed by stakeholders are greater than the financial investments of shareholders by roughly a factor of ten.

The risks are not only financial exposure but employment and career opportunity, the quality of products and services and environmental impact (Post et al, 2002; Lorca and Garcis-Diez, 2004). If the firm fails, employees lose their jobs and often their retirement package and health benefits. In line with the benefits provided by stakeholders and the risks borne by them, according to the contribution justice principle, the profits of a firm should be divided among those bearing risk within the organization, in what so ever form.

The stakeholder concept is scarcely new (Preston and Sapienza, 1990). According to Freeman (1984) the origin of stakeholder in management literature can be traced back to 1963, when the word appeared in an internal memorandum at the Stanford Research Institute, in which stakeholders were defined as 'those groups without whose support the organization would cease to exist' (Freeman, 1984: 31). However, Preston and Sapienza (1990) argue that the stakeholder approach or its basic philosophy can be traced much further back.

During the depression of the 1930s General Electric Company identified four major stakeholder groups as shareholders, employees, customers and the general public. Similarly, in 1947, Johnson & Johnson listed their strictly business stakeholders as customers, employees, managers and shareholders (Clarkson, 1995; Lorca and Garcia-Diez, 2004).

Since Freeman's (1984) seminal work on the topic, stakeholder theory has become embedded in management scholarship and in managers thinking (Mitchell and Agle, 1997; Rowley, 1997; Metcalfe, 1998). According to Donaldson and Preston (1995) the idea that corporations have stakeholders has become commonplace in the management literature, both professionally and academically. There have been hundreds of articles published on the topic. Langtry (1994) argues that the stakeholder concept has become widely used as a strategic management tool. Providing support for this argument, Halal (2000) cites a survey undertaken during the period of 1995-1997 which obtained responses from 540 managers describing the extent to which common stakeholder practices are used in the respondent's company. It found that 86% of respondents said their company strived to cooperate with important stakeholders and 85% claimed that the company's primary goal was to serve the interests of important stakeholders, including making money for shareholders. Recent studies provide similar findings; Agle and Mitchell (2008) found through a study of 100 of the Fortune 500 companies, that only ten companies espoused the “pure shareholder” focus of value maximization for shareholders.

1.2.3 The Basis of Stakeholder Theory

Although Freeman’s (1984) work formally recognizes the importance of stakeholders it leaves the status of the stakeholder concept as theory unclear (Jones, 1995). Donaldson and Preston (1995), in their widely quoted paper, organized a diverse range of articles on stakeholder theory and formulated a three part typology of the theories of stakeholder theory: descriptive, instrumental and normative. Jones (1995) argues that Stakeholder Theory answers the following questions: what happens? (Descriptive) What happens if? (Instrumental) And what should happen? (Normative).

To describe stakeholder theory as descriptive argues it explains specific corporate characteristics and behaviors (Cooper et al, 2001), thus it describes the corporation as a constellation of cooperative and competitive interests possessing intrinsic values. To say it is instrumental implies that it makes a connection between stakeholder approaches and commonly desired objectives such as profitability, stability or growth. Instrumental theory is basically a hypothesis of what will happen if certain courses of action are followed. Finally as a normative theory it is used to interpret the function of the corporation and to identify moral or philosophical guidelines for corporate operations. Normative theory attempts to prescribe what should happen based on moral propriety.

According to Donaldson and Preston (1995) these theories are nested within each other. The external shell of the theory is its descriptive aspect; the theory presents and explains the stakeholder relationships within the firm. The theory’s descriptive accuracy is supported, at the second level, by its instrumental and predictive value; if certain practices are carried out then certain results will be obtained. The central core of the theory is normative. Legitimate stakeholder interests require managerial attention and interest as a matter of moral right (Post et al, 2002).

Donaldson and Preston (1995: 71) identify instrumental uses as making ‘a connection between stakeholder approaches and commonly desired objectives such as profitability’. One of the earlier arguments in favor of the instrumental power of stakeholder theory is seen in General Robert Wood’s (1950 cited in Clarkson, 1995) assertion that the four parties to any business in order of importance are customers, employees, community and shareholders. He maintained that if the appropriate needs and interests of the first three groups were cared for effectively, the company’s shareholders would benefit as a result. The 1963 International memorandum at the Stanford Research Centre defines stakeholders as ‘those groups without whose support the organization would cease to exist’. The core concept was ‘survival’, without the support of these key groups the firm will not survive.

Post et al (2002) believe that effective stakeholder management is a critical requirement for sustaining and enhancing the wealth creating capacity of the organization. Jones (1995) suggests that stakeholder management is a source of competitive advantage, as contracts between organizations and stakeholders will be on the basis of trust and cooperation and therefore less expense will be required in monitoring and enforcing such contracts. Clarkson (1995) argues that failure to retain the participation of a primary stakeholder group will result in the failure of that corporate system and its ability to continue as a going concern.

Jarillo (1988) and Jones (1995) argue that collaborative working relations with stakeholders will deliver organizational success. Indeed Freeman (1984) endorsed the theory’s instrumental basis, recognizing that, in reality stakeholders have the power to seriously affect the continuity of the corporation. However, according to Orts and Strudler (2002: 217) the arguments that ‘the best interests of stakeholders will inevitably also promote the best interests of shareholders is unreasonably optimistic’ because ethics and economics sometimes conflict.

Hemphill (2004) and Berman and Wicks (1999) argue that looking at stakeholder theory from an instrumental basis is perfectly consistent with shareholder theory. It is a means to an end. The end, or ultimate result, may have nothing to do with the welfare of stakeholders in general, instead the firm's goal is the advancement of the interests of only one stakeholder group – its shareholders. Thus it is compatible with Friedman's (1970) view that the social responsibility of business is to increase its profits. However, this argument would seem to confuse motivation with outcome. It is described here as a reason for undertaking stakeholder theory. However, the previous description of the instrumental basis of stakeholder theory highlights what happens if a company embraces stakeholder theory (Jones, 1995).

Donaldson and Preston (1995) argue that ultimate justification for stakeholder theory is to be found in its normative base. In support for the moral justification of stakeholder theory, Gibson (2000) referred to the theory of deontology. Deontology is derived from the Greek word meaning 'duty' (Gibson, 2000: 248). One of the chief architects of deontological theory was Immanuel Kant. Kant believed that individuals have the right to be treated as ends in themselves and not merely as a means to an end (Shankman, 1999; Metcalfe, 1998).

In support of the theory's descriptive basis, Donaldson and Preston (1995) point to empirical studies which show that many managers believe themselves, or are believed by others to be practicing stakeholder management often without making explicit reference to stakeholder theory. They argue that the vast majority of managers adhere in practice to one of the central tenets of stakeholder theory, namely, that their role is to satisfy a wider set of stakeholders, not simply the shareholders. Clarkson (1995) supports this claim, arguing that the strength of stakeholder theory is that it accurately describes the functioning of business. Equally, Post et al (2002) argue that there is ample case and anecdotal evidence of the descriptive accuracy of the stakeholder approach from corporate sources.

While stakeholder theory has been described as a descriptive, instrumental and normative theory, the practical question of who is, and who is not, a stakeholder has long been a point of contention. According to Mitchell and Agle (1997: 854) ‘what is needed is a theory of stakeholder identification that can reliably separate stakeholders from non-stakeholders’.

1.2.4 Defining Stakeholders

According to Mitchell and Agle (1997) since Freeman (1984) published his landmark book, Stakeholder Management, A Strategic Approach the concept of stakeholders has become embedded in management scholarship and management thinking. Freeman (1984: 76) asks a fundamental question underlying stakeholder theory ‘for whose benefit and at whose expense should the firm be managed?’ Should stakeholder status be reserved for constituencies that have a very close relationship with the organization? Or should stakeholder status be broadly interpreted and take into account all of the groups that can affect and be affected by the organization? (Philips, 2004). Despite vast academic literature devoted to stakeholder theory, agreement is elusive on who qualifies as a stakeholder (Agatiella, 2008) leading scholars in the field to continue to complain about the ‘blurred’ and ‘relatively vague’ concept of the stakeholder (Orts and Strudler, 2002).

Bryson (2004: 22) defines stakeholders as ‘persons, groups or organizations that must be taken into account by leaders, managers and front-line staff’ and Thorne et al (1993:13) believe stakeholders are ‘those to whom the corporation is responsible’. Freeman’s (1984) now classical definition of stakeholders, which is arguably the most popular definition (Kolk and Pinske, 2006: 59), extended the scope by proposing stakeholders are ‘any group or individual who can affect or is affected by the achievement of a corporation’s purpose’. These are clearly very broad definitions and leave the notion of stake and the fields of possible stakeholders unambiguously open to include virtually everyone (Maio, 2003) whether alive or not (Cooper et al, 2001). This leaves managerial prescriptions and implications nearly limitless (Philips et al, 2003). Referring to this definition Langtry (1994) argues that not buying groceries in a particular shop affects the achievement of the stores purpose, therefore you are a stakeholder of that store. Similarly, unsuccessful tenders as well as successful ones count as stakeholder, since they are affected by the firm not signing a contract with them. According to Metcalfe (1998) such definitions of stakeholders are unmanageable for any company to deal with.

Thus, it has been proposed that it is necessary to classify stakeholders according to their importance to the firm. Clarkson (1995) distinguishes between ‘primary’ and ‘secondary’stakeholders. A primary or participant (Metcalfe, 1998) stakeholder is one without whose continuing participation the corporation cannot survive as a going concern. Primary stakeholders are typically comprised of shareholders, employees, customers, suppliers and the public stakeholder group (e.g. the government and local communities).

Secondary or non-participant (Metcalfe, 1998) stakeholders are defined as those who influence or affect, or are influenced or affected by the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival. However, secondary stakeholders can have a significant impact on the corporation. Due to their possible impact on the welfare of a corporation, effective managers will attend to their interests as well. Secondary stakeholders include the media for example (Maignan and Ferrell, 2001). Expanding stakeholder classification, in recent years, stakeholder attributes have received increasing attention (Frooman, 1999) to aid managers in deciding how to allocate their limited time, energy and other scarce resources to different stakeholders groups (Philips, 2004).

1.2.5 Stakeholder Attributes

According to Cooper et al (2001) when stakeholder theory is used as a managerial tool it is specifically concerned with identifying which stakeholders are more important and as a result should receive a greater proportion of management attention. It is clear that different stakeholder groups can present quite different and often conflicting needs and interests (Lerner and Fryxell, 1994).

Agle and Mitchell (1997) identify urgency, legitimacy and power as the three key attributes of a stakeholder, arguing that in their various combinations these attributes are indicators of the amount of management attention awarded to a given stakeholder. Power relates to the ability to bring about outcomes of desire or the ability of one actor within a social relationship to have another actor do something that they would not otherwise have done (Agle and Mitchell, 1997). The power of stakeholders may arise from their ability to mobilize social and political forces as well as their ability to withdraw resources from the firm. Legitimacy is the perception or belief that stakeholders' claims are proper, desirable or appropriate (Thorne et al, 1993). Lastly, stakeholders exercise greater pressures on managers and organizations when they stress the urgency of their claims. Urgency is based on two characteristics; time sensitivity and importance of claim to the stakeholder (Thorne et al, 1993). Mitchell and Agle (1997) suggest that different types of stakeholders can be identified depending on their degree of power, legitimacy and urgency as per figure 1.1.

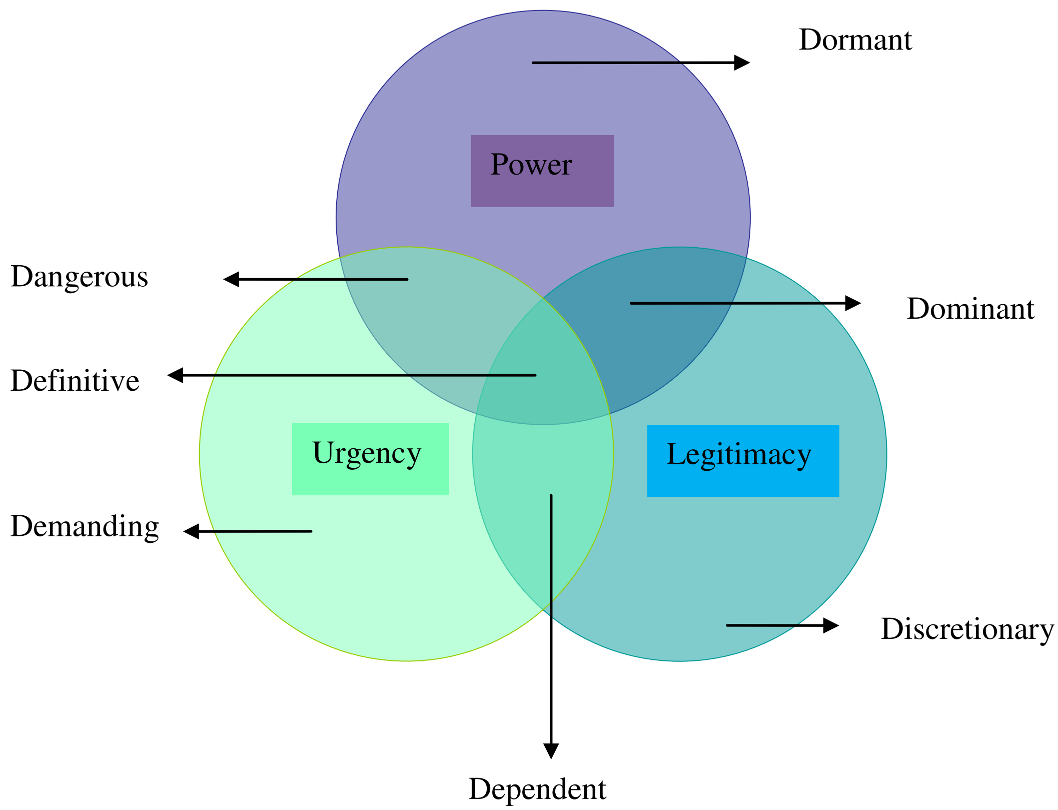

Figure 1.1: Classification of Stakeholders

Source: Mitchell and Agle (1997)

According to this typology, if a stakeholder possesses only one of the three attributes, they are termed latent stakeholders and have low salience. Stakeholder salience is the degree to which managers give priority to competing stakeholder claims. Stakeholder salience will be moderate if the stakeholder possesses two of the three attributes; such stakeholders are called expectant stakeholders. Definitive stakeholders possesses all three attributes, salience will be high where management perceive all three attributes are present. Stakeholders can shift from one class to another as their salience increases or decreases by obtaining or loosing certain attributes.

Mitchell and Agle (1999) later examined the relationship between salience and the stakeholder attributes of power, legitimacy and urgency. The study analyzed survey data of 80 CEOs of large US firms and concluded that, in the minds of CEOs, the stakeholder attributes of power, legitimacy and urgency are individually and cumulatively related to stakeholder salience across all groups. Similarly, Welcomer et al (2003) found that the degree of power possessed by individual stakeholders positively affected the manner in which the firm interacted with those stakeholders. The argument that firms are responsible to a broader spectrum of stakeholders beyond shareholders is at the heart of CSR.

1.3 Defining CSR

One of the factors responsible for limited conceptual understanding of CSR is the complexity and absence of consensual definitions of the concept (Perrini, 2006; Idemudia, 2008; Gulyas, 2009). Although the concept of CSR is widely discussed in theory and practice (Weber, 2008) a universally accepted definition of CSR is yet to emerge (Turker, 2009a). CSR can be conceptualised differently by individuals (Griffin, 2000). Indeed Amaeshi and Adi (2005) argue that there are as many definitions of CSR as there are writers on the topic.

Smith (1990: 53) argues that, in considering CSR, one is presented with a similar conundrum to that experienced by Alice in *Alice in Wonderland*, to whom Humpty Dumpty said ‘when I use a word, it means just what I choose it to mean, neither more nor less’. The efforts of academics and practitioners to arrive at a consensus definition have failed and there is no agreed upon definition. According to van Marrewijk (2003: 95) a ‘one solution fits all’ definition of CSR is impossible as CSR will take on a different meaning for each individual company depending on the development, awareness and ambition levels of the organisation.

Despite a wealth of literature on the subject, CSR remains a broad, complex and continually evolving concept that encompasses a variety of ideas and practices. It has been described as an ambiguous (Fisher, 2004), vague (Williamson et al, 2006), subjective (Frederick, 1986), unclear (McWilliams, 2001), amorphous (Margolis and Walsh, 2001), fuzzy concept (McGuire, 1963) with unclear boundaries and debatable legitimacy (Lantos, 2001). As such there lacks any solid definition to form the basis of firm action (van Marrewijk, 2003). Not only is there a lack of consensus regarding the definition of CSR but there has been some debate surrounding the term itself.

1.3.1 The Term CSR

CSR has often been criticized for running fast and loose with its concepts (Barnett, 2007). In the 1970s several writers began suggesting that a focus on social 'responsibility' of business indicated undue effort to pinpoint accountability and therefore was too narrow and too static to fully describe the social efforts or performance of business (Carroll, 1979). Two new terms emerged in this era: Corporate Social Responsiveness (CSR2) and Corporate Social Performance (CSP). The first emphasises the proactive approach required from companies and links CSR with strategic management. The second was an attempt to offer a managerial framework to deal with CSR and simultaneously an attempt to measure CSR (Valor, 2005).

Ackerman and Bauer (1976) were among the first to articulate a preference for the term corporate social *responsiveness* as opposed to *responsibility*. Frederick (1994) defined Corporate Social Responsiveness as the capacity of a corporation to respond to social pressures and gave it the popular shorthand name, CSR2. Frederick (1994: 150) described this new term as a *conceptual transition* from the 'philosophical – ethical concept of corporate social responsibility…to the action oriented managerial concept of corporate social responsiveness', in other words, from moral contemplation to responsive action (Litz, 1996). It represents 'an effort to treat as a management issue one which had been predominantly treated as a social and/or ethical issue' (Ackerman and Bauer, 1976: 7).

It is argued that corporate social responsiveness provides an action counterpoint to the principled reflection of corporate social responsibility (Vallentin, 2009). Sethi (1979) argued that a responsive company was by definition also responsible and responsiveness was an appropriate concept to replace the ill-defined responsibility. Carroll (1979) observed, however, that responsiveness is conceptually inadequate to replace responsibility, a concept that permits action without reflection or responsibility is not a refinement over a concept that merely encourages responsibility (Wood, 1991). As Jones (1980) points out, it is conceivable that a corporation may be responsive and irresponsible.

The trend toward making the concern for social and ethical issues more pragmatic resulted in the term Corporate Social Performance (CSP) emerging as an inclusive and global concept to embrace corporate social responsibility, responsiveness and the entire spectrum of socially beneficial activities of businesses (Carroll, 1991). Representing a multidimensional construct (Backhaus et al, 2002) CSP is generally viewed as incorporating the interaction between the principles of social responsibility, the processes of social responsiveness and the policies and programs designed by the corporation to address social issues (Watrick and Cochran, 1985).

Conceptually, CSR is part of the broader framework of CSP (Windsor, 2001). CSP represents a shift in emphasis from obligations and motivations to corporate action and implementation and thus operationalises CSR. According to Barron (2001) CSR involves a redistribution that is motivated by moral principals whereas CSP involves a redistribution from the firm to the public. However, the term CSP has not escaped criticism, Davenport (2000) describes it as a theoretical construct from the academic community.

The terms CSR, CSR2 and CSP are difficult to separate and are often used interchangeably. Aligning CSP with CSR Turban and Grennings (1997) define CSP as a firm accepting responsibility, while Ullman (1985) describes CSR as CSR2 defining it as responding to social demands. Much recent literature continues to use the term corporate social responsibility not only to describe a firm's acceptance of responsibility but their activities and policies in the area (Pivato et al, 2008; Pfau et al, 2008; Ciliberti et al, 2008).

1.3.2 Early Definitions of CSR

Beliefs and attitudes regarding the nature of CSR have varied over time (Hill et al, 2003; Henderson, 2001a). It can be said that the modern academic debate on CSR started in the 1950s. The first major work on the subject, Bowen's *Social Responsibilities of the Businessman* appeared in 1953. It is considered by many to be the first definitive book on the subject and marks the modern era of CSR (Valor, 2005). Bowen (1953: 6) defined CSR as businessmen's obligation 'to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of society'. Because of his early seminal work, Carroll (1999) and Windsor (2001) credited Howard Bowen with the title the 'Father of CSR'.

McGuire (1963: 144) took the view that 'the idea of social responsibility supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations'. Davis (1960: 70) described CSR as 'businessmen's decisions and actions taken for reasons at least partly beyond the firm's direct economic or technical interest'. Later, Sethi (1975: 58) suggested that these extra responsibilities involved 'bringing corporate behaviour up to a level where it is congruent with the prevailing social norms, values and expectations'.

Thus, CSR was initially viewed as responsibilities that extend beyond the legal obligations of the firm, in line with this, Davis (1973) argued social responsibility begins where the law ends. Social responsibility, he argued, involves taking a step beyond the law; it is a firm's acceptance of a social obligation beyond the requirements of the law. McWilliams (2001:117) similarly defined CSR as 'actions that appear to further some social good, beyond the interests of the firm and that which is required by law'.

1.3.3 Pyramid of CSR

Carroll (1979) providing some substance to the argument that CSR involves going beyond the law argued that a definition of social responsibility, if it is to fully address the entire range of obligations business has to society; it must embody the economic, legal, ethical and discretionary categories of business performance. In support, Aupperle et al (1985) found CEOs viewed their social responsibility as falling into each of the four categories proposed by Carroll (1979). Carroll's framework has been utilized by a number of writers and researchers (Wartick and Cochran, 1985; Wood, 1991; Aupperle et al, 1985; Clarkson, 1995) and remains popular within the field (Burton and Goldsby, 2008).

Carroll (1991) later suggests that these categories might be depicted as a pyramid. In essence a firm is regarded as socially responsible if it is profitable, obeys the law, engages in ethical behaviour and gives back to society through philanthropy (Carroll, 1998). Hemphill (2004) summarizes these four components of CSR as striving to make a profit (economic), obey the law (legal), be ethical (ethics) and be a good corporate citizen in its relationship with stakeholders (philanthropic). According to Windsor (2001) economic and legal responsibilities are socially required, ethical responsibilities are socially expected and philanthropy is socially desired.

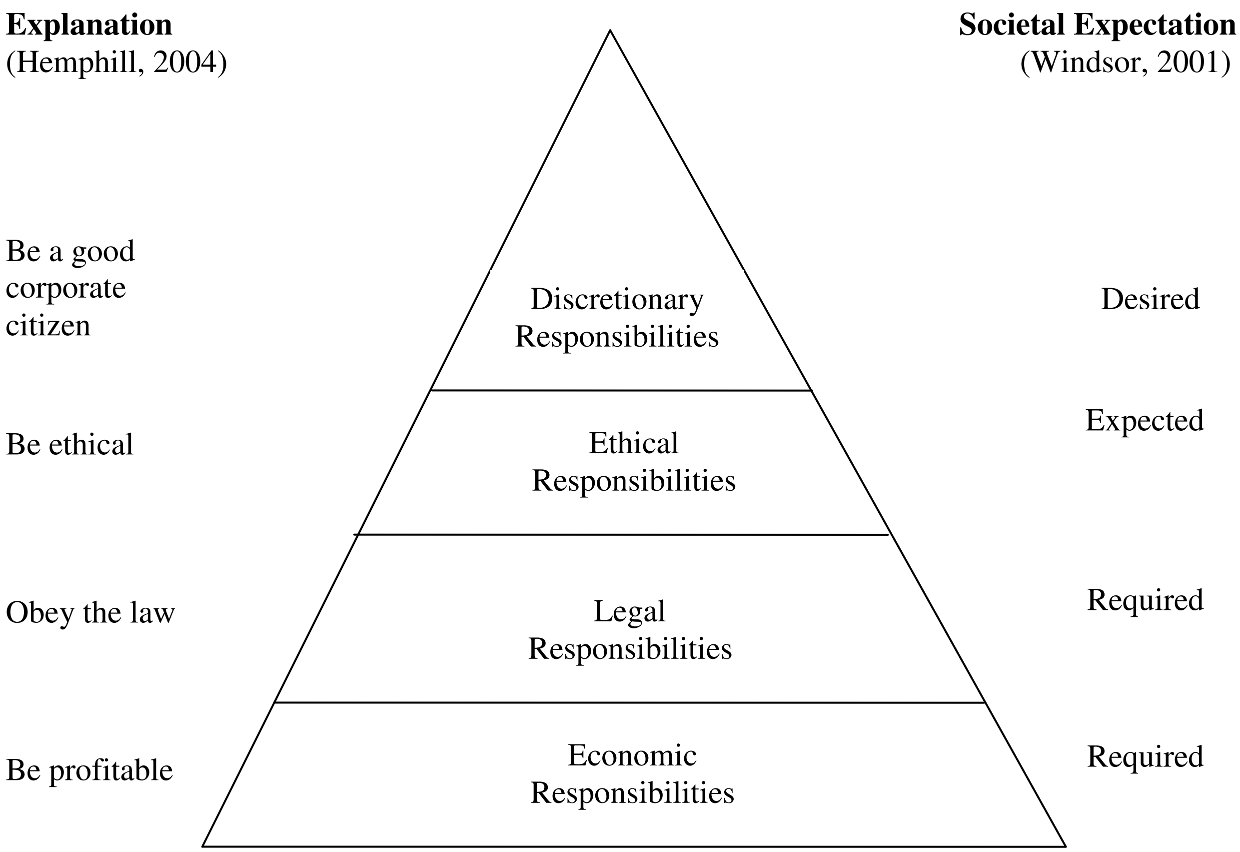

Figure 1.2: Pyramid of Responsibilities

Source: adapted from Carroll (1991); Hemphill (2004) and Windsor (2001)

Economic responsibilities are placed at the base of the pyramid to illustrate that the economic responsibility of the firm is the bedrock foundation for business (Carroll, 2004) and represents its fundamental responsibility (Schiebel and Pochtrager, 2003). Other responsibilities cannot be achieved in the absence of economic performance (Hutton et al, 1998; Windsor, 2001). Legal responsibilities require a firm to abide by the laws of society. The laws of society typically constitute the most objective and readily accessible guide for distinguishing between permissible and impermissible behaviour. They do this by specifying those activities which are viewed as undesirable and violate society's standards of morally acceptable behaviour (Wokutch and Spencer, 1987).

Ethical duties require that businesses abide by moral rules which define appropriate behaviours in society; they entail acting in a moral manner, doing what is right, just and fair; respecting people's moral rights; and avoiding harm or social injury as well as preventing harm caused by others. Ethical duties embrace those activities and practices that are expected or prohibited by society even though they are not codified into law (Carroll, 1991). A firm's discretionary responsibilities entail voluntary social involvement, including activities such as philanthropic contributions. These activities are purely voluntary, guided only by business' desire to engage in social activities that are not mandated, not required by law and not generally expected of business. They include such things as providing a day care centre for working mothers and providing charitable donations (Maignan and Ferrell, 2000).

Schwartz and Carroll (2003) argue that, although there is considerable value in Carroll's model, it has some limitations. Firstly, they suggest that the pyramid framework suggests a hierarchy. One may misunderstand the pyramid to suggest that the category at the top of the pyramid (philanthropy) is the most important or highly valued category, one that organisations should strive for. According to Thorne et al (1993) when the pyramid was first introduced, many people assumed that there was a natural progression from economic to philanthropic responsibilities, as is the case for example with Maslow's Hierarchy of Needs.

However, Carroll (1991) has stated that these four categories are not mutually exclusive, nor are they intended to portray a continuum with economic concerns on one end and social concerns on the other. Later, Schwartz and Carroll (2003) represented the categories of CSR with the use of a Venn diagram to illustrate these points clearly.

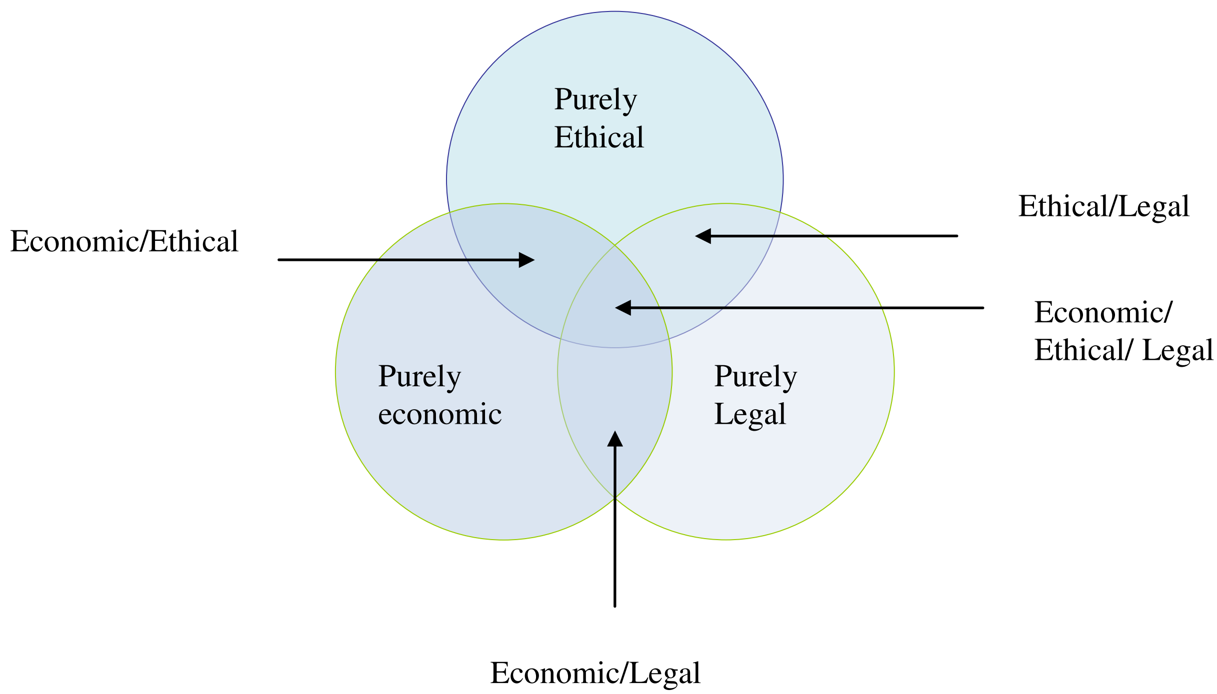

Figure 1.3: The Three-Domain Model of Corporate Social Responsibility

Source: Schwartz and Carroll (2003: 509)

The above diagram has another important differentiating characteristic to the pyramid; it does not contain a philanthropy/discretionary category. This is in light of Schwartz and Carroll (2003) argument that this category is confusing and possibly unnecessary. Carroll acknowledges that it may be ‘inaccurate’ (Carroll, 1979: 500) or a ‘misnomer’ (Carroll and Buchholtz, 2000) to call such activities *responsibilities* because they are guided primarily by business discretion. They represent a discretionary manifestation of

CSR that differs in kind from the obligatory conformance with economic, legal and ethical dimensions of CSR (Godfrey, 2005) and has been described as the least weighted of all social responsibilities (Aupperle et al, 1985).

Extending the argument, Lantos (2001) believes philanthropy is not a legitimate concern for business. He later evaluated the morality of altruistic CSR along the major ethical perspectives of Utilitarianism, Rights, Justice and Care and concludes that, for publicly held corporations such an activity is immoral (Lantos, 2002). Drucker (1989) similarly argues that an organisation acts irresponsibly if it goes beyond that which is necessary to do its job, whether this involves taking care of the sick, producing goods or advancing learning. According to Friedman (1970) such corporate spending is not only irresponsible but it is illegal and involves theft of shareholder funds.

According to Galbreath (2006), while Carroll's (1979) work described what a firm's responsibilities might be, Freeman's (1984) landmark book helped to more accurately describe to whom the firm is responsible. Picking up on this theme, stakeholder theory gained prominence in the 1990's and continues as a focused area of study in relation to CSR (Wang, 2008; Vaaland et al, 2008).

1.3.5 Recent Definitions of CSR

Recent definitions of CSR focus on a firm's responsibility toward its various stakeholders. According to Perrini (2006: 305) one frequent question of CSR is 'to what theory should general knowledge be developed', the answer provided is that research on CSR should be based on stakeholder theory. In July 2001, the European Union presented a Green Paper 'Promoting a European Framework for Corporate Social Responsibility'; in it CSR was defined as 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis'. This represents, according to Amaeshi and Adi

(2005), one of the most common definitions of CSR and is consistent with the most recent academic literature (Pivato et al, 2008).

A central element of CSR initiatives is the readiness to respond to legitimate expectations of stakeholders (Nijhof and Bruijn, 2008; Turker, 2009a). Carroll (1991) argued there is a natural fit between the idea of CSR and organisation's stakeholders. Arguing that the term 'social' in CSR has been seen by some as vague and lacking in specificity as to whom the corporation is responsible, Carroll (1991) suggests that the stakeholder concept personalise social responsibilities to specific groups. Thus, the stakeholder theory 'put names and faces on the societal members or groups who are most important to business and to whom it must be responsive' (Carroll, 1999:43), which according to Wood (1991) brings the abstract idea of 'society' closer to home. Spence et al (2001) similarly proposed that the concept of stakeholder cooperation is a more realistic alternative. According to Valor (2005) CSR and stakeholder theory complement and reinforce each other.

Representing a more practical alternative to CSR, stakeholder management is central to putting any conception of CSR into practice (Jones, 2005). The idea that stakeholder theory is imbedded in CSR has become widely accepted (Vaaland et al, 2008; Hopkins, 2003; Turker, 2009b). From an Irish perspective, Whooley (2004: 74) argues 'in practical terms, CSR translates into the integration of stakeholders' social, environmental and other concerns into a company's business operations'. In summary, despite the absence of a universally accepted definition of CSR, there is no doubt that it concerns the way a company governs the relationships with its various stakeholders.

In addition, many recent definitions draw attention to the financial benefits obtained through CSR. For example, Vaaland et al (2008: 931) define CSR as 'management of stakeholder concern for responsible and irresponsible acts related to environmental, ethical and social phenomena in a way that creates corporate benefit'. While Mittal et al (2008: 1437) define the concept as 'a business approach that views respect for ethics, people, communities and the environment as an integral strategy that improves the competitive position of a firm'. The idea that CSR can have bottom line benefits draws attention to the motivation for CSR. Are managers guided by a moral conscience to undertake CSR or is the ultimate aim enhanced profitability? (Cooper et al, 2001).

1.4 Motivations for CSR

The idea that CSR is a Public Relations (PR) tool has traditionally been one of the major criticisms of CSR (Hopkins, 2003; Falconi, 2004). L'Etang (1994) argues that CSR and PR are interconnected in such a way that CSR has become a PR tool. He quotes an oil company from his research, '…X evaluates its corporate social responsibility programmes by setting clear criteria for each project…criteria include target audience, aims of scheme, time schedule and visibility of X'. Frankental (2001) similarly argues that CSR can legitimately be branded an invention of PR. While Clark (2000: 363) comparing CSR and PR argues 'like the Republican and Democratic political parties, these two are sounding more and more similar'.

According to Curran (2005) in recent years more and more companies have been declaring themselves socially responsible, opting into CSR schemes, labelling themselves with the term CSR and publishing CSR reports alongside their annual reports. Such reports may not represent an accurate reflection of reality (Basu and Palazzo, 2008). Managers may over-report on CSR to enhance a firm's reputation and avail of the various advantages believed to result from socially responsible behaviour such as improved customer and employee loyalty.

According to Welcomer et al (2003) organisations often use carefully chosen verbal communications, including the firm's mission statement espousing a credo of CSR but then fail to follow through with corresponding actions. Pfau et al (2008) note that many companies communicate CSR but fail to practice it. Verschoor (2008) also notes that studies have found a rather paradoxical gap between what companies say they value and what they actually demonstrate by their actions.

Advertising CSR has increased dramatically in recent years. Lerner and Fryxell (1988) provide support to this argument; it was found in both research studies that CSR activities are higher in industries with higher advertising to sales ratio. Thus, CSR may be performed to enhance a firm's reputation rather than this being an advantage gained from CSR. Similarly, Liston-Heyes and Ceton (2007) argue that few firms engage in CSR activities for purely altruistic reasons. According to Baron (2001) CSR that is motivated by shareholder interest is referred to as strategic CSR. He argues that a firm motivated only by profits may 'adopt a practice labelled CSR because it increases the demand for its products' (Baron, 2001: 9). This strategic CSR is simply a profit maximisation strategy motivated by self interest and not by a conception of CSR.

Many firms are turning away from traditional charity donations to a market-driven strategic management bottom-line approach to philanthropy. George Weissmna, chairman of Philips Morris explains that 'our business activities must make social sense and our social activities must make business sense' (Mescon and Tilson, 1987:50). The underlying strategy of this new-style philanthropy is for companies to obtain a tangible return for their contributions either through enhanced corporate image, improved staff morale or enhanced customer loyalty (Simon, 1995). This simultaneously benefits society and the firm (Godfrey, 2005). Baron (2001) coined the phrase Strategic CSR. This represents the use of CSR to capture value. Baron (2007) later argued that many firms do in fact undertake CSR to increase profits.

According to Polonsky and Speed (2001) much of what is labelled corporate philanthropy does seek to generate and exploit an association with the cause. The traditional concept of philanthropy is founded on altruism and involves the firm making a contribution without an expected benefit (Collins, 1994). The firm thus, donates funds to a worthy cause because it wishes to be a good corporate citizen (Shaw and Post, 1993). However, association with a non-profit cause has steadily evolved from a short term sales promotion technique to a viable marketing strategy. This strategy links corporate identity with non-profits, causes and significant social issues through cooperative marketing and fund-raising programs (Cui et al, 2003) and is labelled by Varadarajan and Menon (1988) as Cause Related Marketing (CRM).

1.4.1 Cause Relationship Marketing (CRM)

CRM is generally considered to have started, or at least gained prominence in 1983 with American Express's initiative to link card sales and card related spending to support the restoration of the Statue of Liberty. A penny for each use of the American Express card and a dollar for each new card issued was donated. Over a four-month period, €2 million was raised for the cause and American Express card use increased 28% (Polonsky and Speed, 2001). It became a frequently used marketing approach in the early 1990s. Since then, CRM has gained ever-growing popularity among brand marketers (Vogel, 2005), who believe this approach helps to enhance both brand attitude and purchase intention (Tsai, 2009).

CRM is a strategy designed to promote the achievement of marketing objectives via company support of social causes' (Barone et al, 2000: 248). The founders of CSR, Varadarajan and Menon (1988: 60) define CRM as 'the process of formulating and implementing activities that are characterised by an offer from the firm to contribute a specified amount to a designed cause when customers engage in revenue-providing exchanges that satisfy organisational and individual objectives'. Donations are based on sales and thus, a specific objective of all CRM campaigns is to generate sales and a promotion campaign is undertaken to leverage the right of the association (Polonsky and Speed, 2001). The aim is to build brand image by enhancing the company's reputation as a good citizen (Till and Nowak, 2000). According to Higgins (1986) CRM is a form of marketing which has to stand the rigorous test of how well it helps business.

In support of this, Lorge (1998) found that three-quarters of consumers say they will switch brands to a company involved with a charitable cause, if price and quality are equal. Barone et al (2000) found that some consumers are even willing to accept lower performance or higher price to purchase from a firm which is associated with a cause. Providing an explanation, Tsai (2009) using confirmatory factor analysis in LISREL found that customers experience strong moral pleasure for participating, or moral displeasure for not participating, in a CRM campaign, which has a significant impact on purchase intention.

It is important to fit the customers, brand and cause (Till and Nowak, 2000). Fit refers to the perceived link between the company's image, positioning and target market and the cause's image and constituency (Varadarajan and Menon, 1988). Greater fit should make the development of an associative link easier. Ill conceived pairing may potentially damage the firm's image (Aaker, 1991). Till and Nowak (2000) advise that perceived fit or similarity between the firm and the cause should be an important consideration for firms. New York based cosmetic company Avon has been recognised as a leader in CRM with programs aimed at raising awareness of breast cancer, a problem afflicting its target audience – women (Fellman, 1999).

In addition, trust can have a significant effect on the consumers' intentions to support a corporation adopting a social or environmental cause (Till and Nowak, 2000). The attributions consumers make to the company's motivations for conducting the program may influence how they respond and the ultimate success of the program (Ellen et al, 2000). This can be explained by association theory which argues that people seek information clues to explain why certain events occur (Cui et al, 2003). Consumers may use aspects of the CRM offer to assess the company's motivations (Cui et al, 2003).

Representing the main negative impact of CRM, a lack of sincerity of the firm can be damaged through appearing to exploit the cause. If consumers perceive a CRM offer as self interested behaviour, they are likely to view the offer simply as a means to the end of furthering firm objectives, such as sales and profits, and have a less favourable attitude toward the offer. This scepticism often stems from the fact that firm support is usually conditional upon purchase and is often over publicized (Gupta and Pirsch, 2006). This link with sales highlights the commercial nature of the relationship between the firm and the cause. According to Polonsky and Speed (2001) sincerity can be enhanced by a strong fit between the firm and the cause. Gupta and Pirsch (2006) found that perceived fit between the company and cause increases purchases intention, however, they also noted that scepticism about the company's intentions was not relevant to consumer purchase decisions. They argue that consumers may accept companies to having an altrustic motive in CRM programs.

1.5 Arguments For and Against CSR

The debate between stakeholder and shareholder theory questions the legitimacy of CSR. 'Is businesses only job to make a profit?' (Hopkins, 2003: 1). A major question for business historically has been whether corporate decision makers should be concerned with issues other than profitability (Mohr et al, 2001). Must businessmen be concerned about the 'good' as in utopia? Or should they, as Theodore Levitt (1958:50) suggested, conduct business 'as if it were at war. And, like a good war, it should be fought gallantly, daringly and above all, *not* morally'. The field of CSR has grown exponentially in recent years. Nevertheless, there remains an unsolved, long running (Schaper and Savery, 2004) debate about the legitimacy and value of corporate responses to CSR concerns (Tsoutsoura, 2004).

1.5.1 Arguments Against CSR

Even in this current time of political correctness, there are a few brave voices who claim that CSR has no place in modern business, indeed, as recently as 2001, former Chief economist of the OECD, David Henderson argued against CSR and argued its general adoption by business would reduce welfare and undermine the market economy (Tyrrell, 2006). The following section outlines the arguments against CSR distilled from literature.

It should be stated clearly at the outset, however, that those who argue against CSR generally fail to acknowledge the full extent of CSR. Carroll and Buchholtz (2000) argue that many critics of CSR view it too narrowly and merely take into account its ethical and philanthropic categories. Indeed one of the most noted critics of CSR; Milton Friedman (1970) was in favour of three of Carroll (1991) four elements of CSR (economic, legal and ethical) and had reservations with only one (philanthropic).

1.5.1.1 Dilution of Primary Purpose

The most prevalent argument against business assumption of social responsibility is the classical economic doctrine of profit maximisation. In 1970, when interest in ethics of business was increasing to a degree that would soon cause the emergence of a whole new discipline, a controversial essay on CSR 'The Social Responsibility of Business is to Increase its Profits' was published in the New York Times Magazine. It was written by Nobel Prize Winning Economist and regular columnist for *Newsweek*, Milton Friedman, an outstanding antagonist of CSR, whose famous view is that 'the business of business is business'. Based on part of a chapter of Friedman's 1962 book *Capitalism and Freedom*, the essay has been one of the most widely cited and criticized of all Friedman's writings. Friedman's (1970) principal argument is that,

'there is one and only one social responsibility of business, to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud'

(Friedman, 1970:6).

Reiterated by Friedman many times since, this critique has hung over discussions of CSR and business ethics since its publication (Gallagher, 2005). Friedman's dictum on CSR was part of an attack on much broader conceptions of the social role of business, which he refers to as fundamentally subversive (Friedman, 1982). According to Friedman (1970), to the extent that managers use corporate resources to promote socially responsible activities, they are stealing from owner's dividends, from customer's wealth or from employees' wages. He argues that social issues are of no concern of business people and these problems should be resolved by the unfettered workings of the free market system. Furthermore, if the free market cannot solve the social problem, then the responsibility falls upon government through legislation (Carroll and Buchholtz, 2000).

This touches upon the theory of Capitalism. Capitalism represents an economic system in which most of the means of production is guided and income distributed largely through the operation of a free market (Fulcher, 2004). It is thought that society can prosper most successfully when each individual is motivated by profit maximisation and government intervention is minimal. The argument is that, individual pursuit of gain and efficiency leads to greater wealth than any other economic system. Friedman (1982) argued that the scope of government should be limited to the protection of the law. Adam Smith (1776) also argued that businesses should pursue their own self-interest and allow the competitive marketplace determine which enterprises succeed and which will fail; this was referred to as the Invisible Hand of the marketplace.

Friedman's voice, although the loudest, clearest and least apologetic, is by no means solitary. Numerous economists, accountants, corporate executives and social critics continue to defend the proposition that corporations exist entirely for the benefit of their shareholders (Pava and Krausz, 1996). Sternberg (1994) states that managers who employ business funds for anything other than the legitimate business objectives are depriving owners of their property as surely as if they had dipped their hands into the till, an argument echoed by Cowe and Williams (2000) and Coors and Winegarden (2005: 10) who states rather bluntly that 'if a company is engaging in CSR activities, it had better be using those activities to garner customers and increase profits, or else management is not fulfilling its duties'. In a competitive market, a firm lowering its profits in order to pursue social and environmental goals may not survive the competitive and disciplining actions from the market, another company can acquire this firm and replace the incumbent management with a value maximising one (Renneboog et al, 2008).

Related to this is the argument that involvement in social goals might dilute business's emphasis on economic productivity, divide the interests of its leaders and weaken its position in the market place resulting in poor accomplishment of both economic and social roles (Davis, 1973). According to Levitt (1958) business will have a much better chance of surviving if there is no nonsense about its goal, that is, if profit maximisation is the one dominant objective in practice as well as in theory.

Equally, Jensen (2002) argues that CSR and stakeholder theory is fatally flawed because it violates the proposition that any organisation must have a single-valued objective as a precursor to purposeful or rational behaviour. He argues that the adoption of CSR leaves a firm handicapped in the competition for survival because, as a basis for action, stakeholder theory politicizes the corporation and leaves managers empowered to exercise their own preference in spending the firm's resources. Jensen (2002: 243) believes that the adoption of CSR will undermine the foundations that have enabled markets and capitalism to generate wealth and high standards of living worldwide. Thus, stakeholder theory and CSR will 'reduce social welfare even as it advocates claim to increase it, just as in the failed communist and socialist experiments of the twentieth century'.

Essentially, this core argument against CSR criticises that CSR involves expending limited resources on social issues necessarily decreases the competitive position of a firm by unnecessarily increasing its costs. Devoting corporate resources to social welfare is tantamount to an involuntary redistribution of wealth, from shareholders, as rightful owners of the corporation, to others in society who have no rightful claim (Barnett, 2007).

1.5.1.2 Legal Obligations

Some authors argue that business does not need to carry the torch of morality beyond the constraints contained in the law. Once a firm abides by the law it has met all the expectations required by society (see figure 1.2) and therefore does not need to undertake any further responsibilities. However, Lantos (2001) highlights certain shortcomings of law; it is limited in scope, representing merely a floor or minimum level of business responsibility and is reactive rather than proactive (Carroll, 1998). Additionally there may be a time lag between social expectations and the law; it may not reflect the latest thinking, norms or research that indicates the level or standard at which business should be operating to protect stakeholders (Carroll, 1998). An additional flaw is that it is susceptible to corporate influence. According to Ostas (2001) most, if not all, major corporations employ legislative activists to coordinate lobbying efforts to assure that the corporate viewpoint is heard.

1.5.1.3 Competence

Davis (1973:318) questions ‘if we are going to depend on someone to work with social problems, why choose a group which is poorly qualified?’ According to Smith (1990), corporations do not have the technical skills to deal with social issues and cannot decide what is best for society. Levitt (1958) argues that this is the case because the typical senior executive of a large corporation is in that position because he is an expert on his own business, not on social issues. By having to devote so much time and energy to business he has automatically insulated himself from the world around him (Levitt, 1958), denying himself the knowledge and skills needed to deal with social issues. Managers are oriented toward finance and operations and do not have the necessary expertise to make social decisions (Carroll and Buchholtz, 2000), they are philosophically and emotionally unfit for the job (Davis, 1973). Mintzberg (1983) argues that the orientation towards efficiency and control renders business leaders inept at handling complex social problems, which require flexibility and political finesse.

Furthermore, incompetent attempts to resolve social issues waste shareholders money (Smith, 1990).

1.5.1.4 Business Power

'Do we want corporations playing God?' (Smith 2003:62). A final argument against CSR is that business already yields significant power in society (for example, economic, environmental and technological), to willingly grant business social power would be ludicrous (Tyrrell, 2006). According to this line of reasoning, business is one of the most powerful institutions in society, by giving decision-making opportunities in the social domain to business; the balance-of-power problem that already exists in our society could be aggravated (Carroll and Buchholtz, 2000). Levitt (1958:46), who has been described as one of the most extreme opponents of CSR (McGuire, 1963), argues that as a result of such power the corporation would eventually invest itself with all-embracing duties, obligations and power, 'ministering to the whole man and moulding him and society in the image of the corporation's narrow ambitions and its essentially unsocial needs'.

1.5.2 Arguments in Favour of CSR

Milton Friedman's argument that the social responsibility of business begins and ends with profit maximisation plays less well according to Hopkins (2003) today than in the heyday of Reaganomics or Margaret Thatcher's conservative government. The following contains a brief outline of the arguments in favour of CSR.

1.5.2.1 Viability of Business

This first argument reasons that the institution of business exists only because it performs valuable services to society. Sethi (1979) argues that corporations, like all other social institutions, are an integral part of a society and must depend on it for their existence, continuity and growth. Society has granted tremendous power and freedom to corporations with the expectation that they will use that power to effectively serve society's needs. In the long run, if business is to maintain its position of power it must accept its responsibility to society (Davis, 1967).

Curran (2005) refers to this as 'social permission theory', which holds that corporations exist and act by permission of society at large, corporations are obliged to consider all possible stakeholders because they make up society at large and these stakeholders were the ones who gave corporations permission to do business in the first place. Further, if corporations use that power in ways that are not consistent with society's expectations, they will eventually face increasing externally imposed controls over their behaviour, thus society will circumscribe that power. This has also been referred to as a 'licence to operate' (Post et al, 2002) and the Iron Law of Responsibility, posited by Davis (1967) which holds

'Those that do not take responsibility for their power ultimately lose it' (Davis, 1967:49).

This is in line with legitimacy theory which is based upon the notion that business operates in society via a social contract where it agrees to perform various socially desired action in return for approval of its objectives, other rewards and its ultimate survival (Guthrie and Parker, 1989). Thus, companies will do whatever they regard as necessary in order to preserve their image of a legitimate business with legitimate aims and methods of achieving it (Villiers and van Staden, 2006).

1.5.2.2 Avoidance of Government Regulations

One of the most pragmatic reasons for business to be socially responsible is to ward off future government intervention and regulation, which is costly to business and restricts its flexibility of decision making. Arguably, if business voluntarily exceed their regulatory obligations then the need or will for government interference in business affairs is reduced (Tyrrell, 2006).

This position holds that proacting (anticipating and initiating) is more practical and less costly than simply reacting to problems once they have occurred. According to Davis (1973) if business delays in dealing with social problems now, it may find itself constantly occupied with putting out social fires that it has no time to accomplish its primary goal of producing goods and services. By way of example, Carroll and Buchholtz (2000) point to environmental pollution, arguing that responsible action toward the prevention of environmental problems is wiser and less costly than allowing pollution occur in the first place.

1.5.2.3 Business Resources

This argument states that business has valuable resources such as a substantial pool of management talent, functional expertise and capital resources; therefore business should use these resources to solve social problems (Hillman and Kein, 2001, Schaper and Savery, 2004; Jenkins, 2006). Thus because business has resources and skills, there is a quasi-moral obligation to become involved in social issues (Moir, 2001). The connection between wealth and responsibility has been stressed by both business leaders and critics for more than a century (Post et al, 2002).

The immense resources of corporations are often illustrated by comparison to the GDP of developing counties. According to Carroll (2004) and Hopkins (2003) of the 100 largest economies in the world, only 47 of them are nation states, the other 53 are multinational corporations (MNC’s). Carroll and Buchholtz (2000) provide an additional dimension of this argument suggesting that it is partially businesses fault that many of today’s social problems arose and consequently, business should assume a role in remedying these problems.

1.5.2.4 Long Run Self-Interest

Finally, CSR has been legitimised along the grounds that it is in the long run interest of firms involved (Jenkins, 2006). Zairi and Peters (2002) believe CSR is no longer a 'nice to do' gesture but rather a critical driver of corporate performance. Of the arguments favouring CSR, one of the most prevalent is that it enhances the long-run self interest of business. Accordingly, to embrace CSR represents enlightened self-interest on the part of business (Henderson, 2001b). Samuelson (1971: 24 cited in Windsor, 2001), an economist writing at the same time as Friedman, argued that 'a large corporation these days not only may engage in social responsibility, it had damn well better try to do so'. Ostlund (1977: 38) found that both top management and operations managers rated the argument 'it is in the long-run self-interest of the business to get directly involved in social issues' as the most important argument in favour of CSR.

This can be explained by the arguments that CSR acts as a tool to attract (Gatewood et al, 1993; Turban and Grenning, 2000), motivate (Brammer et al, 2007), and retain (Chatman, 1991) a talented workforce; attract customers (Ruf et al, 1998); enhance the firm's reputation (Lancaster, 2004); or reduce costs through the efficient use of environmental initiatives (Roberts and Dowling, 2002). This argument is returned to in greater depth in chapter two.

1.6 Conclusion

This chapter introduced the reader to the concept of CSR. Firstly, the debate between stakeholder and shareholder theory was discussed. Shareholder theory represents the classical approach to CSR (Rugimbana et al, 2008). According to this theory the purpose of the company is to provide return on investment for shareholders and thus corporations are seen as instruments of creating economic value for those who risk capital in the enterprise (Greenwood, 2001). It is believed that the sole constituency of business management is the shareholders and the sole concern of shareholders is profit maximization. Any activity is justified if it increases the value of the firm to its shareholders and is not justified if the value of the firm is reduced (Cochran, 1994).

Stakeholder theory has emerged as an alternative to shareholder theory (Spence et al, 2001) on the other hand argues that a firm is responsible to a wider group of stakeholders. The term stakeholder explicitly and intendedly represents a softening of (if not a fundamental challenge to) strict shareholder theory (Windsor, 2001). This theory recognizes the fact that most, if not all firms have a large and integrated set of stakeholders (Cochran, 1994) to which they have an obligation and responsibility (Spence et al, 2001) and challenges the view that shareholders have a privilege over other stakeholders (Freeman and Reed, 1983). Shareholders, it is argued, are merely one of the several claimants on the firm (Heath and Norman, 2004). Thus stakeholder theory embodies the need to balance the claims of shareholders with these of other stakeholders (Ruf et al, 1998).

Shareholder theory forms the basis of CSR. It is widely recognized that there is a lack of consensus regarding the definition of CSR (Gulyas, 2009). The chapter analysed the evolution of definitions and it was highlighted that most recent definitions incorporate stakeholder theory (Pivato et al, 2008). This chapter highlighted the criticism of the term CSR which lead to alterative terms such as Corporate Social Responsiveness and Corporate Social Performance being proposed. However, CSR remains the preferred term in current literature.

This chapter then discussed the arguments for and against CSR. The main arguments against a firm accepting CSR include the argument that undertaking CSR activities can lead to the dilution of the business' primary purpose (Friedman, 1970). It is also argued that CSR can increase the power of business (Tyrell, 2006). Lastly, a common argument against firm's involvement in CSR is that corporations lack the necessary competence to undertake such activities (Carroll and Bucholtz, 2000). In favor of CSR, the main arguments are that corporations have the necessary resources to undertake CSR activities including management talent, functional expertise and capital resources

(Schaper and Savery, 2004). In addition it has been argued that by undertaking CSR firms may avoid additional government regulation (Tyrrell, 2006). Lastly, the strongest argument in favour of CSR is that such activities can increases a firm's profitability in the long term (Zairi and Peters, 2002). This final argument is dealt with in detail in the next chapter.

Chapter Two: Corporate Social Responsibility and Financial Performance

2.1 Introduction

Researchers often argue that CSR can improve the competitiveness of a company in the long term, implying a positive relationship between the CSR involvement of a company and its financial success (Weber, 2008). Described as the holy grail of CSR (Jorgensen and Knudsen, 2005) the relationship between CSR and financial performance represents the most questioned area of CSR (Angelidis et al, 2008). While a lot of research points in favor of a mild positive relationship (Orlizky et al, 2003), this connection has not been fully established (Neville et al, 2005; Prado-Lorenzo et al, 2008; Park and Lee, 2009) and the mechanisms through which financial performance is enhanced by CSR is not well understood (Jawahar and McLoughlin, 2001; Doh et al, 2009).

In spite of a long record of discussion and analysis, Milton Moskowitz's (1972) call for empirical proof to verify the commonly held belief that economic incentives could be used to motivate companies to be socially responsible has not yet been answered. Some studies have suggested a positive relationship, whereas others have concluded that the effects of CSR are negative or inconclusive. Nevertheless, the debate surrounding the financial impact of CSR continues (Prado-Lorenzo et al, 2008; Park and Lee, 2009).

While the task of identifying the relationship between financial performance and CSR has proven to be a notoriously difficult one, if CSR is to gain a standing among organization executives the identification of this relationship is an important issue (McGuire et al, 1988). Business leaders always question and often veto spending programs that cannot be shown to have positive effect on the bottom-line, which is especially prominent in the current economic environment.

This chapter unfolds as follows; firstly, the financial implications of corporate social irresponsibility are discussed. Next, previous meta analysis studies are briefly reviewed. To provide more insight into the relationship between CSR and financial performance, individual studies testing this relationship are reviewed. Turning to more specific studies, the relationship between environmental performance and financial performance, CSR and stock market performance and stakeholder management and financial performance are discussed. In light of the fact that the majority of studies point in favour of a positive relationship between CSR and financial performance, attention is turned to explaining this relationship.

2.2 Corporate Social Irresponsibility and Financial Performance

There is a strong argument that companies that fail to act in a socially responsible manner experience significant declines in financial performance (Thorne et al, 1993). Studying the impact of 131 public announcements of corporate illegalities on the shareholder returns of 96 companies, Davidson and Worrell (1988) support this hypothesis. The study found a strong negative correlation between corporate social irresponsibility and stock market performance. Frooman (1997) analysed the stock market's reaction to incidences of socially irresponsible or illicit behavior and found the effects to be negative, statistically significant and substantial in size. Wokutch and Spencer (1987) studied five year return on assets and five year return on sales of 130 manufacturing firms, after dividing the firms into four groups relative to their social irresponsibility, both performance indicators were significantly lower for the socially irresponsible group (sinners) than for any other group. The results are echoed by Davidson and Worrell (1995). Providing an explanation, Hoven Stoh and Brannick (1999) argue that those who ignore their social responsibility may find themselves suffering from boycotts, ruined reputations and a serious decline in business.

Enron's financial collapse provides anecdotal evidence of the extreme cost of socially irresponsible and unethical business practices. Enron is a symbolic stand-in for the wave of corporate scandals that rocked America at the start of the 21st century involving leading firms such as Arthur Anderson, WorldCom, General Electric and Merrill Lynch (Heath and Norman, 2004). According to McWilliams and Siegel (2000) Enron is a painful example of what happens when share price is the only measure of success for a company. There are many more such examples; in 1995 Shell witnessed a major decline in sales following the Greenpeace boycott as a result of the Brennet Spar Oil Platform.

Nike, the athletic shoe and apparel manufacturer was embroiled in a bitter consumer boycott after news releases mentioned the company's affiliation with sweatshop labor in Asia. From February 1997, when the reports became mainstream, to December 1998, when Nike agreed to curb its abuses, the company's stock price fell 50% while S&P 500 increased 44%. The company has continued to struggle to regain customer confidence despite efforts to become more socially responsible.

It would appear appropriate to draw the conclusion that allegations of misconduct by publicly traded firms result in economically and statistically significant losses in shareholder wealth. However, the focus of this chapter remains centered on the studies testing the relationship between CSR and financial performance.

2.3 Meta-analysis Studies

Pava and Krausz (1996) identified and reviewed twenty-one empirical studies which explicitly addressed the relationship between CSR and financial performance. Of these, twelve studies reported a positive association between social and financial performance, one reported a negative relationship and eight reported no measurable relationship. In support of CSR, the authors concluded that nearly all the empirical studies to date have concluded that firms which are perceived as having met social responsibility criteria have either outperformed or have at least performed on par with other non-socially responsible firms (Pava and Krausz, 1996). Ullman's (1985) meta-analysis of thirty studies found seventeen reported a positive relationship, six reported a negative, and seven reported a neutral relationship.

Griffin and Mahon (1997) report less encouraging findings; their analysis identified thirty-three research results finding a positive relationship, twenty which found a negative relationship and nine failed to find any relationship. However, Roman et al (1999) felt that Griffin and Mahon (1997) did not adequately report the findings of their study. For example, when research found that socially irresponsible behavior negatively impacted financial performance, Griffin and Mahon (1997) coded this as a negative relationship, when in fact, it highlights a positive relationship. Roman et al (1999) re-evaluated Griffin and Mahon (1997) study and methodically unsound or refuted studies were removed. In total twenty six studies were reclassified or removed. Roman et al (1999) concluded that thirty-three studies suggest a positive relationship; fourteen suggest no relationship and only five suggest the presence of a negative relationship.

Pava and Krausz (1995) and Ullman (1985) relied on narrative reviews, while Griffin and Mahon (1997) and Roman et al (1999) utilized the vote-counting method of aggregation. Narrative reviews are literature reviews that attempt to make sense of past findings verbally or conceptually. The vote-counting method refers to the accumulation of significance levels or, in the simplest case, to the tabulation of significant and non-significant findings. According to Orlitzky et al (2003) both of these research integration techniques tend to draw false inferences because they do not correct for sampling and measurement error. Orlitzky et al (2003) study, which was awarded the Moskowitz Prize by the Social Investment Forum, utilizes effect-size meta analysis. Fifty-two studies were analyzed and the majority point in favor of a positive relationship.

2.4 Research Studies

To provide more insight and understanding of the relationship between CSR and financial performance, individual studies are discussed. In addition to those studies included in previous meta analysis, this research includes recent studies assessing the relationship between CSR and financial performance and studies omitted from previous meta analysis.

2.4.1 Early Studies

For years scholars have been engaged in the seemingly endless and largely frustrating task of identifying the relationship between the social and financial performance of the corporation (Waddock and Graves, 1997b). One of the first attempts to assess the relationship between social and financial performance was reported in 1972. In the first issue of *Business & Society Review*, the editor Milton Moskowitz (1972) suggested that socially responsible firms represent a good investment option. In addition, he recommended fourteen firms as potential investments because of their social performance. The next issue of *Business & Society Review* observed that the fourteen socially responsible firms identified by Moskowitz had registered a stock price increase of 7.28% over the previous six months, in contrast to 4.4% rise for the Dow-Jones, 5.1% increase for the New York Stock Exchange and 6.4% gain for Standard & Poor's Industrials during this period. This finding was used to support the notion that responsible firms were good investment risks (Aupperle et al, 1985).

Representative of the body of studies testing the relationship between CSR and financial performance, the first study in the area is methodologically flawed. The validity of independent experts rating's rests on their expertise and the accuracy of the information available to them. In addition, Moskowitz (1972) announcement that these firms are good investment options is likely to have increased demand for these stocks thus increasing their share price. Vance (1975) challenged the findings and claims of Moskowitz (1972). He reported that, from January 1, 1972 to January 1, 1975, all but one of Moskowitz (1972) fourteen firms had performance records considerably worse than that of the Dow Jones Industrials, the New York Stock Exchange and the Standard & Poor's Industrials.

Cochran and Wood (1984) also assessed the financial performance of Moskowitz's list of best, honourable mention and worst firms. Assessing each firm's accounting measures of Return On Assets (ROA) and Return On Sales (ROS), excess market valuation, asset turnover and asset age from 1970 to 1979, Cochran and Wood (1984) found weak support for the positive relationship between CSR and financial performance. Sturdivant and Ginter (1977) derived a smaller sample containing twenty-eight of Moskowitz (1972) sample and classified these as high, moderate or low in social responsibility. The authors subdivided the firms into four industrial groups. A comparison of each firm's ten year Earnings per Share (EPS) growth highlights that the best and honourable mention firms out-performed their worst industry counterpart. However, Sturdivant and Ginter (1977) failed to draw attention to the fact that the honourable mention firms (middle level of CSR) performed best, in fact illustrating an inverted U shape relationship. This highlights that the relationship between CSR and financial performance may be more complex than initially thought.

Many early studies attempting to identify the relationship, if any, between CSR and financial performance have focused on subjective techniques to measure CSR. Bowman and Haire (1975) reported the results of a content analysis of the annual reports of eighty-two food processing firms listed in the 1973 *Moody's Industrial Manual*. The authors identified firms as low, medium or high in social responsibility on the basis of the number of lines devoted to the topic of CSR in their annual reports. The authors self criticise that one could immediately scoff at this measure, in that 'it is at least a popular belief that everybody that talks about heaven ain't going there' (Bowman and Haire, 1975:49-50). Thus, the authors cross validated this line-count method by applying the method to Moskowitz's fourteen firms having high levels of social responsibility and found them to have much more space devoted to CSR than the fourteen randomly chosen firms. Assessing each category's five year Return on Equity (ROE) highlighted that the category devoting a medium amount of lines to CSR reported highest ROE again indicating, an inverted U shape relationship between CSR and financial performance.

However, Bowman and Haire's (1975) study exhibits numerous methodological problems. As noted by the authors, reporting CSR is not an accurate predictor of its occurrence. The study included more (51) firms having low social responsibility than firms having high (13) or moderate (18) levels. Aupperle et al (1985) point out that reliance on ROE as a measure of firm performance could be misleading since ROE is a function not only of profitability, but also of a firm's financial leverage (a variable which many later studies control for). Bowman (1978) also used the number of lines devoted to CSR in firm's annual reports as a measure of CSR. Assessing the annual reports of forty-six firms in the microcomputer/ peripheral industry, Bowman (1978) found that the firms mentioning CSR outperformed those failing to mention CSR on the basis of Return on Sales (ROS) to the ratio of 8%: 5.6%, however the difference was not statistically significant.

Abbott and Monsen (1979) use a slightly more sophisticated method of content analysis of annual reports. The authors use Ernst & Ernst's 1973 and 1974 analysis of annual reports to assess how many of twenty-eight socially responsible activities were disclosed in the company's annual report. A comparison was then made to each firm's ten year yield. When the effects of firm size are taken into consideration, any relationship between CSR and financial performance diminished. The authors conclude that 'being socially responsible does not appear to increase investor's total rate of return. Nor does it appear that being socially involved is dysfunctional for the investor' (Abbott and Monsen, 1979:515).

Turning to yet another subjective method, Vance (1975) based his study on two surveys previously undertaken by *Business & Society Review*, reporting businessmen and students rating of forty-five leading firms in relation to their social responsibility. Vance (1975) used these survey results to rank the firms on their perceived degree of social responsibility and observed a negative correlation between the firm's CSR rank and stock market performance. Abbott and Monsen (1979) reporting on the shortcomings of Vance (1975) argue that he reports the regression coefficients but not the correlation coefficients, thus, the strength of the negative association is not known. Also, the year 1974, being a disastrous year for stock markets may not be a representative year, it is therefore not appropriate to generalize from that year alone. Alexander and Buchholz (1978) extended the work of Vance (1975) and re-examined the relationship between CSR using the same survey results and financial performance, but this time accounting for risk. A low significant positive relationship was found between risk adjusted stock market performance and social performance.

Using a forced choice survey instrument to measure CSR, Aupperle et al (1985) reported no significantly significant relationship between a firm's social and financial performance as measured by Return on Assets (ROA) for the year ended 1981. Parket and Eilbirt (1975) took quite a novel approach to measuring CSR. The authors had previously conducted survey research on the topic of CSR. They argued that the eighty firms responding to their study were more socially responsible than the market in general simply because these firms responded to a survey on CSR. They compared the eighty 'socially responsible' firms to the Fortune 500 (minus these eighty firms) on the financial criteria of net income, ROE, profit margin and EPS and concluded that, on all four financial measures, the eighty socially responsible firms were more profitable. While there are clear methodological issues in their study, Parket and Eilbirt (1975) as early as the mid 1970s touched upon the business case for CSR, which is regarded as one of the major areas of CSR (Hopkins, 2003; Roberts et al, 2002). They argued that some of the benefits of CSR include higher morale among workers, a larger labour pool from which to select employees, improved public relations or the creation of a better corporate image.

2.4.2 Fortune Database

In January 1983 Fortune Magazine published its first annual survey of corporate reputations. This soon became a common tool for measuring CSR, and according to Margolis and Walsh (2001) is the most popular measure of CSR in studies testing the relationship between CSR and financial performance. The annual survey conducted by Fortune ranks the most admired American corporations by asking over 8,000 executives, outside directors and corporate analysts to evaluate the companies they admire the most along eight attributes: financial soundness, long-term investment value, use of corporate assets, quality of management, innovativeness, quality of products and services, use of corporate talent and community and environmental responsibility.

According to Szwajkowski and Figlewicz (1999) it is hardly surprising that researchers quickly adapted to the Fortune reputation indices as a measure of CSR when one considers the previous measures available to them. Prior to this database researchers either undertook the tedious task of constructing large scale samples of regulatory violations, content analysis of annual reports, used Milton Moskowitz ratings or an environmental measure such as the pollution control measure provided by the Council on Economic Priorities. This database has many advantages over other measures not least of all the fact that it is readily available and conducted on an annual basis allowing for longitudinal research. According to McGuire et al (1988) the number of respondents is comparable or superior to those of other ratings. Simerly (1994) argues it is advantageous that respondents rate only firms in an industry which they are familiar. Testing its validity and reliability, Herremans et al (1993) concluded that the Fortune Survey provides not only an authorative rating of CSR, but also one that is valid compared with other ratings.

Using this database as a measure of CSR, McGuire et al (1988) assessed the effect of CSR on past, concurrent and subsequent financial performance. Assessing operating performance, market performance and risk, the authors failed to find a relationship between CSR and subsequent financial performance. Also adopting the Fortune database as a measure of CSR, Simerly (1994) assessed one hundred and ten firms from 1986 to 1988 and from 1988 to 1990. Firms ranking high on this measure of CSR reported positive significant market measures, however, financial measures report mixed results. While the results were positive, Return on Investment (ROI), Profit/ Equity and Sales/ Equity only achieved significance in one time period. Simerly (1995) returned to the relationship between CSR and financial performance a year later, again using the Fortune database as a measure of CSR, this time however measuring ROE and debt to equity. Taking forty-two pairs of companies, each representing the best and worst in their industry, the authors concluded that within each industry those with the best CSR rating achieved greater financial performance than their worst counterparts.

Preston and O'Bannon (1997) assessing the firms rated on the Fortune database chose to focus on just three attributes: responsibility to the community and the environment, selection and retention of good staff and the quality of products and services. The authors analysed sixty-seven firms from 1982 to 1992 and report a strong positive link between these three measures of CSR and financial performance denoted by ROA, ROE and ROI. Herremans et al (1993) focused exclusively on the criteria of responsibility toward the community and environment and again a positive correlation was reported between CSR and firms accounting measures of financial performance and stock price, while it was negatively correlated with risk.

While such results are encouraging, this measure of CSR has received much criticism. It must firstly be noted that the database was not originally developed as a measure of social performance (Szwajkowski and Figlewicz, 1999). Fombrum and Shanley (1990) were the first to cast doubt over the database. Their factor analysis showed that of the eight dimensions used to measure CSR, one factor accounts for 84% of common variance. They interpreted this common variance as a general reputation factor.

Others have argued the common underlying factor is financial performance (Brammer and Millington, 2005; Waddock and Graves, 1997b). Questioning the validity of studies that find a positive relationship between CSR as measured by Fortune ratings and financial performance, Fryxell and Wang (1994) argue the Fortune database is a measure of financial performance not CSR. Fortune (1993 cited in Fryxell and Wang, 1994: 2) attempted a rather ineffective defence of the virtue of their survey, proclaiming that 'roughly half' of the overall reputation index can be explained by a company's financial performance.

Preston and Sapienza (1990) reported high correlations between measures of financial performance within the survey and the single criteria of responsibility to community and environment. Using the same single social responsibility item, McGuire et al (1988) reported a positive correlation (0.45) between a subset of 58 firms in their sample and independent ratings by the Council on Economic Priorities. Later, McGuire et al (1990) reported that the pattern of correlations between the eight items in the Fortune Survey and ten financial measures is strikingly similar. Stanwick and Stanwick (1998) found a positive relationship between Fortune rating and both a firm’s level of profitability and size as measured by sales volume for all years studied (1987-1992). A positive relationship between the Fortune rating and environmental performance as measured by level of pollution emissions released by the organisation was found in two years of the study only (1987 and 1990).

Wood and Jones (1995) argue that there is no theoretical basis for using the Fortune scale as a measure of CSR, questioning whether it is a firm’s social responsibility or (more likely) their financial performance and a strong public affairs focus that gets a company to the top of the list. If the Fortune ranking of social responsibility reflects a firm’s financial performance, studies that use this rating may be using financial performance in the guise of social performance, to predict itself (Margolis and Walsh, 2001). Wood (1995:197) rather blatantly argues that ‘the Fortune Magazine data cannot and should not be used as a true measure of Corporate Social Performance (CSP)’.

While the criticism Fortune has received is immense, it is also important to bear in mind the fact that financial performance is a part of CSR; it appeared at the base of the pyramid of social responsibility provided by Carroll (1991) to illustrate its fundamental importance. Additionally, Brown and Perry (1995) removed the financial halo from the Fortune database; their methodology, according to Wood and Jones (1995) provides a more reliable indicator of a firm’s non-financial reputation. Taking this revised measure of CSR, Brown (1998) assessed its relationship to stock market performance for one hundred and ninety-seven firms from 1982 to 1992; findings suggest that firm’s with positive CSR reputations outperform less reputed companies.

2.4.3 KLD Database

Partly due to the criticism of the Fortune database, many academics turned to the Kinder, Lyndenberg and Domini (KLD) database as a measure of CSR. KLD is an independent rating service that focuses exclusively on assessment of CSR. The areas of CSR include: community relations, employee relations, environmental performance, product characteristics, treatment of women and minorities, military contracting, production of alcohol and tobacco, involvement in the gambling industry, involvement in nuclear energy and investment in areas involved with human rights controversies (Hillman and Keim, 2001). Highlighting the main differentiating characteristics of the KLD and Fortune, Szwajkowski and Figlewicz (1999) point out that the Fortune database is created by a number of industry ‘insider experts’ while KLD relies on a panel of ‘outside experts’ in social investing. In addition the panel of experts employed by KLD evaluate firms within a framework of rather specific criteria in each category whereas the Fortune respondents interpret the attributes individually as they see fit. Whereas Fortune has been criticized for leaning too heavily on the economic element of CSR, KLD has taken the other extreme and eliminates it completely from its analysis.

Wood (1995) described this as the best available measure of CSR. Highlighting some of the advantages of the database over other measures of CSR, Waddock and Graves (1997a) state firstly, that all companies in the S&P 500 are rated. Second, each company is rated on multiple attributes considered relevant to CSR. Third, a single group of researchers apply the same set of criteria to related companies. Fourth and final, the criteria are applied consistently across a wide range of companies, with data gathered from a range of sources, both internal and external to the firm.

Sharfman (1996: 295) testing the construct validity of this measure concluded that ‘researchers interested in studying CSR now can have confidence in the KLD measures and feel secure in the idea that this data taps into the core of the social performance construct’. One may be surprised to find that the reason behind such a bold statement is that Sharfman (1996) study found moderate levels of correlations between KLD and

Fortune ratings; it was then argued that KLD data *could* be a better measure of CSR than Fortune but no justification for this was provided. Additionally, the KLD database has been criticized for using ‘numerically crude’ scores (Wood and Jones, 2005). However, it has been argued that the benefits derived from the database far outweigh any problems associated with it (Ruf et al, 1998).

In their analysis of four hundred and sixty-nine companies from 1989 to 1991 Waddock and Graves (1997a) assessed each firms KLD rating alongside its ROA, ROE and ROS. The study reported that CSR is positively related to both prior and post financial performance. Tsoutsoura (2004: 17) analysed the relationship between a firm’s CSR and financial performance using the same financial and social performance measures for 422 firms from 1996 to 2000 and concluded that ‘improved CSR is related to better financial performance’. Similar findings were reported by Berman and Wicks (1999) and Hillman and Keim (2001). Ruf et al (1998) found that change in CSR, measured by firms KLD rating lead to increased short and long term financial performance. However, McWilliams and Siegel (2000) found that controlling for the advertising intensity of the firms industry and R&D intensity diminishes any statistical relationship between CSR as measured by KLD and firm market performance.

The results of previous studies while broadly conclusive of a positive relationship are not entirely consistent and many studies contain methodological flaws. Taking an alternative approach, many authors have focused on the stock market reaction to socially responsible behaviour.

2.5 Socially Responsible Investing (SRI)

Social investing research has attracted widespread interest among academics who have been struggling for years to find reliable and objective ways to measure CSR (Entine, 2003). Socially Responsible Investing (SRI) is an investment process that integrates social, environmental and ethical considerations into investment decision making

(Renneboog et al, 2008). While definitions vary somewhat, SRI generally refers to the selection of investments based both on traditional financial criteria and on key dimensions of social performance. Commonly identified aspects of social performance include: producing safe and useful products, minimising adverse environmental impacts; implementing workforce practices that favour workers well being and contributing positively to surrounding communities (Starr, 2008). Socially conscious investors consider the financial and social performance of potential investments in order to ensure that the securities selected are consistent with their personal value system and beliefs (Sauer, 1997; Hutton et al, 1998). Appalled at being implicated in antisocial practices, thousands of investors are believed to be placing ethics and social responsibility on par with personal gain in choosing where to invest their money (Hopkins, 2003).

Investments in social and environmental funds have increased dramatically over the past decade (Tschopp, 2005; Mill, 2006) reflecting the increasing awareness of investors in social and environmental issues (Renneboog et al, 2008). Though still a niche market, SRI has been described as one of the most dynamic and rapidly growing areas in the financial world (CSR Europe, 2005). In the US, the professionally managed assets of SRI portfolios reached $2.3 trillion in 2008 (representing 10% of total assets) growing by 1200% from $162 billion a decade earlier. Although the European SRI market is still in an early stage of development, it is also growing rapidly. In 2005, SRI assets in Europe amounted to $1.4 trillion, representing 10-15% of European funds under management. Renneboog et al (2008) argue that the growth of SRI is likely to continue in the foreseeable future as issues like global warming continue to gain attention by Governments and investors around the world.

CSR and SRI represent very closely related topics. According to Mill (2006) for many investors SRI involves the selection of holdings of company shares from a subset of publicly listed companies that are seen as meeting CSR criteria. Each concept basically asserts that business should generate wealth for society but within certain social and environmental frameworks. CSR looks at this from the viewpoint of companies, SRI from the viewpoint of investors in those companies. The relationship between CSR and financial performance is particularly closely related to SRI. A positive relationship between CSR and financial performance would imply superior performance of socially responsible investing. However, Mill (2006) cautions that it must be kept in mind that non-SRI investors have the same options as SRI investors and can invest in socially responsible firms if they see them as profitable. This opens one of the major issues surrounding SRI; the economic performance of such investing.

There is continual debate as to whether SRI outperforms or underperforms conventional investing. Historically, SRI has fought the perception that it may be better for the soul than the bottom line (Asmundson and Foerster, 2001). The prevailing tenet in the institutional investment industry held that investors could not invest in a socially responsible manner without giving up the opportunity to achieve higher rates of return. Opponents of SRI highlight the potential adverse side effects that might result from using social criteria. Major concerns include the potential increase in volatility, lower returns, additional screening and monitoring costs and reduced diversification (Sauer, 1997) consequently shifts the mean-variance frontier towards less favourable risk-return trade-offs than those of complete portfolios (Renneboog et al, 2008). Hopkins (2003) highlights that Friends Provident Stewardship Fund in the UK can only invest in 15 or so of the 100 biggest UK companies and in about 40% of the wider All-Share index of stocks.

However, Aslaksen and Synnestvedt (2003) argue that diversification can be obtained with relatively few stocks. The improvement, they argue is only very slight when the number of stocks in a portfolio is increased beyond twenty or thirty. This constrains the diversification disadvantage of socially screening investments.

At the same time, there is a growing body of evidence that dispels the myth of underperformance of social investments and there is no reason to separate good fortune from good will. Proponents of SRI claim that it achieves greater returns due to the additional selection criteria imposed. There are two arguments supporting the ‘out performance’ hypothesis, firstly, sound social and environmental performance signals good managerial quality which translates into favourable financial performance. Secondly, social and environmental screening reduces the possibility of incurring high costs during corporate social crises or environmental disasters, which financial markets tend to undervalue (Renneboog et al, 2008).

Davidson and Worrell (1988), Frooman (1997) and Wokutch and Spencer (1987) all found socially irresponsible behaviour to have a negative impact on companies share-price. Providing an explanation Brown (1998) argues that Companies perceived to be socially irresponsible could be more susceptible to adverse government action (fines and lawsuits) or to drastic reductions in sales due to disclosure of corporate wrongdoing. This implies that companies with strong reputations in relation to CSR are perceived as less risky investments because they are less likely to fall foul of regulations or the marketplace. Mallin et al (1995) and Boutin-Dufrnse and Savaria (2004) found a negative relationship between a firm's level of CSR and their level of specific risk.

According to Brown (1998) if responsible companies develop a problem, the reservoir of goodwill they have built up would lessen the damage to their income because regulators or customers would be more willing to accept the company's explanation or believe in the sincerity of its proposed remedial action. This may explain the surprisingly positive customer reaction to Johnson & Johnson's Tylenol disaster in which seven people died as a result of ingesting Tylenol laced with cyanide (Fombrun and Shanley, 1990).

Hamilton et al (1993) examined the risk adjusted returns of socially responsible portfolios and conventional portfolios. Testing the investment performance of 32 SRI mutual funds from 1981 to 1990 the study reported that SRI mutual funds did not earn statistically significant excess returns. Sauer (1997), Guerard (1997), Aslaksen and Synnestvedt (2003), Goldreyer and Diltz (1999) Cummings (2000), Mill (2006) and Waddock (2000) similarly failed to find a significant difference in returns of socially screened and unscreened universes.

Turning to the Canadian market, Asmundson and Foerster (2001) report similar financial returns for social and conventional funds. These results provide support for Kurtz (1997) argument that over time, the performance of screened and unscreened portfolios does not differ materially. Mill (2006) adopted a novel approach to the area; the study involved a longitudinal assessment of stock market returns of a fund during the transition from a conventional fund to a socially responsible fund. Four conventional funds over a similar time period were also assessed for comparative purposes. No difference was reported between mean returns before and after SRI adoption.

In conclusion, the broad picture to emerge from SRI studies is that there is little evidence of SRI funds over or under performing relative to the market. In an ongoing attempt to uncover the nature of the relationship between CSR and financial performance, some authors have chosen to assess the relationship between stakeholder management and financial performance.

2.6 Stakeholder Management and Financial Performance

Hillman and Keim (2001) argue that a more fine-grained approach to studying the relationship between CSR and financial performance is necessary and focus on the relationship between stakeholder management and financial performance, which according to Berman and Wicks (1999) and Preston and Sapienza (1990) is an area neglected in the literature. Assessing the financial impact of improved relations with primary stakeholders, Hillman and Keim (2001) found that stakeholder management leads to improved financial performance; measured by firms Market Value Added (MVA) which captures the relative success of firms in maximising shareholder value through efficient allocation and management of scare resources. This supports the instrumental basis of stakeholder theory. As described in chapter one, instrumental theory is a hypothesis of what will happen if certain courses of action are taken. It has been argued that collaborative working relations with shareholders will lead to enhanced profitability (Jones, 1995; Clarkson, 1995).

Preston and Sapienza (1990) found a positive relationship between stakeholder management measured by a firm's Fortune rating on employee relations, customer service, community and environment issues and quality of management and firm profitability and growth. Assessing the same measures of stakeholder management but utilising KLD ratings, Berman and Wicks (1999) found stakeholder management enhances financial performance as measured by a firm's Return on Assets (ROA). Ogden and Watson (1999) specifically assessed the effect of increased customer service as a result of privatisation of the UK water industry and found that increasing the satisfaction of this particular stakeholder (customer) increased future profitability and shareholder return.

These studies provide support for Wheeler and Sillanpaa's (1998) argument that all the available evidence suggests that companies which are run with a view to the long term interests of their key stakeholders are more likely to prosper than those which take a short-term 'shareholder first' approach. Providing additional support for this argument, Collins and Porras (1997) extensively researched the common characteristics of outstanding businesses against less successful counterparts of the same age and industry over a fifty year period. The core argument is based on the premise that managers who reflect a genuine concern for the interests of all stakeholders are those who produce superior results for their shareholders over the long term. Collins and Porras (1997) found the main distinguishing factor between visionary companies and their non-visionary counterparts was their core values. Core value examples include innovation, improving standards of living for others, community enrichment and making people happy. These companies existed for reasons far beyond profit maximisation and value each of their stakeholders. However, the visionary companies were more profitable.

The authors compared investment return in visionary companies to non-visionary companies and the general market. Findings suggest that although $1 invested in the general market on January 1, 1926 grew to $415 on December 31, 1990 that same $1 grew to $955 if invested in a non-visionary company and $6,356 in a visionary company. Thus visionary companies yielded returns over six times greater than their counterparts and over fifteen times greater than the general market. A whole chapter of their book was devoted to shattering the myth that firms run for pure profit maximisation are financially superior.

Waddock and Graves (2000) returned to this study and found visionary companies outperformed their counterparts in relation to return on equity, assets and sales from 1989 to 1996. They also found that these firms relate better to their primary stakeholders. In a study conducted by Harvard academics Kotter and Heskett (1992) it was found that over an eleven year period, large established US companies which gave equal priority to employees, customers and shareholders delivered sales growth four times and employment growth eight time that of 'shareholder first' companies.

Lorca and Garcia-Diez (2004) argue that the business climate has changed remarkably over the past number of years, such that, today success is no longer dependent on customer satisfaction but on the satisfaction of all the stakeholders of the company. It is argued that failure to take the interests of all stakeholders into account results in shareholders unwilling to invest in the firm, customers refusing to buy the firm's products, employees withdrawing their loyalty, suppliers who are unwilling to provide their knowledge, abilities and resources and lastly, communities not tolerating of the company (Lorca and Garcia-Diez, 2004). Thus, the long term survival and success of a firm is determined by its ability to establish and maintain relationships with its entire network of stakeholders (Post et al, 2002).

It would seem executives are fully aware of this. A survey of global companies by Ernst & Young (2002) found that most companies now explicitly recognise that the value of their organisation is dependent on the quality of relationships with key stakeholder groups. Indeed the motivation to develop a CSR strategy for most companies (94%) came from awareness that such a strategy can deliver real benefits. While such findings are comforting, many critics have questioned the causality of such relationship, it is possible that financial performance allows for CSR rather than representing a result of CSR.

2.7 Causality

According to Margolis and Walsh (2001) too much research has been placed on establishing the presence of a connection, rather than on unearthing how that connection unfolds. A positive relationship between CSR and financial performance does not imply that a firm conducting CSR will experience improved financial performance as a result. Correlation does not necessarily imply causation (Renneboog et al, 2008). It is possible that causality runs in the opposite direction, in essence a firm is socially responsible as a result of having good financial performance and thus having the necessary resources to successfully implement CSR programs and policies (Belkaoui and Karpik, 1988). Despite ongoing investigation into the link between social and financial performance, little attention has been devoted to specifying the causal mechanisms that might account for an observed link.

McGuire et al (1988) were the first to break this tradition and separate financial performance into past, concurrent and subsequent to CSR activity thus assessing the causation of the relationship between CSR and financial performance. The study reported that firms with high financial performance and low risk may be in a better position to act in a socially responsible manner. Their study, which used Fortune magazine's ratings of corporate reputations to analyse the relationship between CSR and financial performance, measured by both stock returns and accounting based measures concluded that 'in essence, it may be more fruitful to consider financial performance as a variable influencing social responsibility than the reverse' (McGuire et al, 1988:869). This was supported by Balabanis et al (1998), Waddock and Graves (1997a), Stanwick and Stanwick (1998), Heinze (1976), Dooley and Lerner (1994) and Lerner and Fryxell (1988).

Such findings are in favour of slack resource theory which argues that better financial performance potentially results in the availability of slack resources that provide the opportunity for firms to invest in CSR. The argument is that social responsibility does not cause enhanced financial performance but rather, financial performance allows for the social behaviour of firms. Thus a firm's level of CSR behaviour is dependent on the resources available (Preston and O'Bannon, 1997).

According to Parket and Eilbirt (1975), Ullman (1985) and Tsoutsoura (2004) if CSR is viewed as a significant cost, firms with relatively high past financial performance may be more willing to absorb these costs in the future. It is also expected that poor performers would seek more immediate results and consequently they may prefer short-term and high yield investments to uncertain and longer-term CSR investments (Balabanis et al, 1998). Ullman (1985) placed financial performance as an independent variable, arguing that 'economic performance determines the relative weight of a social demand and the attention it receives from top decision makers … economic performance influences the financial capability to undertake costly programs related to social demands' (Ullman, 1985:553).

An alternative view underlines good management theory which argues that CSR requires from management the same superior skills to make a firm profitable (Belkaoui and Karpik, 1988). As expressed by Alexander and Buchholz (1978: 479) 'socially aware and concerned management will also possess the requisite skills to run superior company in the traditional sense of financial performance. This argument states that CSR results in improved relations with primary stakeholders which in turn leads to improved performance in areas such as customer service, employee relations and community relations which all have the potential to enhance profitability.

Waddock and Graves (1997a) and Balabanis et al (1998) tested the relationship between CSR and prior, concurrent and post financial. Results of both studies argue in favour of slack resources theory and good management theory. They argue that a virtuous circle may be the best explanation. Causation is deemed to run in both directions. That is, better financial performance may lead to improved CSR. Also, better CSR may lead to improved financial performance. Similar arguments have been made by Orlitzky (2005) and Herremans et al (1993).

While the majority of literature points in favour of a positive relationship between CSR and financial performance, the mechanisms through which those rewards materialize are not well understood (Doh et al, 2009). The next section analyses the relationship in finer detail to uncover why CSR might lead to improved financial performance.

2.8 Detailed Analysis of CSR / Financial Performance Relationship

In reflection of the mixed results of studies assessing the relationship between CSR and financial performance, Carroll (1991) argues that the benefits of CSR may be so deeply buried in the many different organisational relationships that it is naïve to think that we can partial out or isolate some demonstrable relationship to financial performance. According to Neville et al (2005) mixed results may be a result of incomplete specification of the relationship between CSR and financial performance. They go on to argue that, if academics are to guide practitioners in the adoption of CSR activities, a more detailed understanding of the relationship between CSR and financial performance is necessary. According to Aqueveque (2005) the literature lacks a detailed understanding of the specific links between CSR and financial performance, a gap this research will contribute to filling.

Peterson (2004) and Carroll (2000) argue that literature has moved away from measuring the correlation between a measure of CSR and a measure of financial performance and a more fruitful way of thinking may be to look at the impact of CSR on individual stakeholders. Similarly, Fombrun et al (2000) argues that a simple correlation between CSR and financial performance is impossible because CSR impacts the bottom line via intermediary routes. These include business benefits such as enhanced image and reputation; increased sales and customer loyalty; increased ability to attract, motivate and retain employees; cost savings and increased access to capital. Each business benefit is now analysed in detail.

2.8.1 Reputation

Neville et al (2005) identify reputation as an intermediary variable between CSR and financial performance. Deephouse (2000: 1093) defined reputation as 'the evaluation of a firm by its stakeholders in terms of their affect, esteem and knowledge'. Reputation is critical to corporate success (Roberts et al, 2002; Jayne and Skerratt, 2003), and an asset of great value (Caminiti and Reese, 1992) particularly in today's competitive market place (Martin, 2009). The resource based view of the firm argues that reputation is a resource leading to a competitive advantage, signalling to stakeholders about the attractiveness of the firm, who are then more willing to contract with it (Deephouse, 2000). Brammer and Millington (2005) report a positive relationship between a firm's reputation and financial performance. According to Roberts (2003) a good reputation enhances the value of everything an organisation does and says. A bad reputation devalues products and services and acts as a magnet that attracts further scorn.

Many major companies, especially in the consumer sector, are highly dependent on their brand name and reputation for their long-term success (Murray, 2003). Hollender and Fenichell (2004) reports a survey of 132 leading global companies that found 77% believe reputation has become more important over the last number of years. It was also reported that 92% perceive it to be as important as strategy while 24% rated reputation as the most important measure of success. Roberts and Dowling (2002) found that firms with relatively good reputations are better able to sustain superior profit outcomes over time. From an Irish perspective, Whooley (2005: 74) argues 'there's nothing fluffy about the importance of your reputation. Get it right and it will enhance your profitability and contribute to overall long-term success'.

According to Curran (2005) CSR is a key component of a firm's reputation. A company considered socially responsible can benefit from its enhanced reputation with the public, as well as its reputation within the business community, increasing a company's ability to attract capital and trading partners (Schiebel and Pochtrager, 2003). Pfau et al's (2008) experimentation study revealed that CSR campaigns enhanced people's perceptions of the company's image, reputation and credibility. Wang (2008) also found positive CSR news has a positive effect on a corporation's image but note that the negative effect of negative CSR news is much more extensive. Lancaster (2004) argues that reputation was the most cited advantage of CSR in a study of chief executives representing eighteen different sectors in sixteen countries. Mittal et al (2008) also cite enhanced reputation as a major motivational force behind CSR.

By signalling to consumers about product quality, favourable reputations may enable firms to charge premium prices (Fombrum and Shanley, 1990). Additionally it has been argued that suppliers are less concerned about contractual hazards when contracting with high reputation firms (Roberts and Dowling, 2002). It can help attract employees (Schnietz and Epstein, 2005) and may enhance a firm's access to capital markets and attract investors (Fombrum and Shanley, 1990; Schnietz and Epstein, 2005). In line with the resource based view of the firm, reputations are critical not just because of their potential for value creation, but also because their intangible character makes replication by competing firms considerably more difficult (Barney and Clark, 2007). In a world crammed with consumer products it would appear that a reputation for socially responsible behaviour may be one way to differentiate a firm from its competitors (McWilliams, 2001).

2.8.2 Customer Attraction and Loyalty

Consumers represent one of the most important groups of stakeholders (Rugimbana et al, 2008). A socially conscious consumer takes into account the public consequences of his or her private consumption (Webster, 1975). The customer is a key stakeholder for any company and the attraction and loyalty of this stakeholder is fundamental to any business. Roner (2006) cited Starbuck's chairman Howard Schultz who argued that Starbuck's 'guiding principles' are its best advertisement, recognising that today's customers vote with their dollars and will spend more at companies with values they admire. Pivato et al (2008) found that consumer perceptions that a company is socially responsible are associated with a higher level of trust in that company and its products. This ultimately leads to increased sales and customer loyalty.

Alongside the traditional factors that mattered most to consumers; quality, value for money and financial performance; consumers are increasingly interested in the social behaviour of a firm (Dawkins and Lewis, 2003 and Knowles and Hill, 2001; Schiebel and Pochtrager, 2003; Hopkins, 2003; Vogel, 2005). Consumer interest in CSR is evident through the uptake of the publication 'Shopping for a Better World' by the Council on Economic Priorities. The publication rating 168 companies behind 1800 products on their CSR has sold over one million copies worldwide (Mohr et al, 2001). Vyakarnam (1992) reports the company's survey of readers which found 78% switched brands following the information obtained from the book and 64% refer to it regularly for making their purchasing decisions.

Surprisingly, it would seem that not only do consumers care about CSR but in some cases it is placed beyond quality and price in consumer interests. Folks and Kamins (1999) manipulated quality and ethics of the employment practices of a group of telephone companies and found that information regarding employment practices affect the respondent's attitude toward the firm more strongly that information regarding the quality of service. Similarly BT found that 1% improvement in the firm's social responsibility is more important to customers than 1% reduction in call and rental charges (BT, 2002). This study involved 3,000 interviews with BT customers. An interesting prediction made by BT following the study was that if the firm lost its good reputation for CSR activities, customer satisfaction would drop 10% (BT, 2002). Similarly, a study of 130,000 online survey respondents found that 53% of people are willing to pay more for socially responsible products (Williams, 2005).

CSR has been shown to affect consumer attitude toward a product and the company. Environics International Poll (2002), the most comprehensive survey of consumer attitudes towards CSR, involving 25,000 individuals in 26 countries found that perceptions of companies are more strongly linked with corporate citizenship (56%) than with brand equity (40%) or the perception of business management (34%). Brown and Dacin (1997) report that negative CSR associations can have a detrimental effect on overall product evaluations, whereas positive CSR associations can enhance product evaluations. McWilliams (2001) by way of explanation argues that there is a presumption that firms that actively support CSR are more reliable and therefore their products are of higher quality. Pfau et al (2008) argues the goodwill bank and increased perception of quality lead to greater loyalty and higher value customers.

It would appear that consumers are converting attitudes into behaviour. The argument has been made that, through their purchase behaviour, consumers are rewarding socially responsible firms by being more willing to purchase from the firm and in some cases accepting a higher price for such products (Baron, 2008). Consumers are also punishing irresponsible firms through boycotts of their products or demanding the products are sold at a lower cost (Creyer and Ross, 1997). Environics International Poll (2002) report that one third of consumers actively reward and punish firms on the basis of CSR. Ruf et al (1998) found a positive relationship between change in CSR and subsequent sales. In 2003, the Co-Operative Bank reported that 30% of the banks profit can be attributed to customers who cite the firm's ethical and ecological practices as an important factor in their relationship with the bank. A Spanish study by Prado-Lorenzo et al (2008) found the companies which have disclosed a greater volume of CSR information have experienced greater sales growth as opposed to those organisations which have not disclosed such information publicly.

Focusing on the UK market, Roberts et al (2002) found that 44% of the public believe CSR is a very important issue to consider when making purchasing decisions. In the financial press, reporting has shown that more than 70% of Irish consumers argue environmental concerns influence their purchasing to some degree; 86% agree that when price and quality are equal, they are more likely to buy from a firm that is associated with a cause (Brennan, 2002).

While the above findings are encouraging, not all studies have reported a clear cut relationship between CSR and consumer behaviour. Indeed findings of research on the topic are quite mixed (Gallagher, 2005). Mohr et al (2001) for example, found that most respondents do not regularly use CSR as a purchasing criterion. Carrigan and Attalla (2001) argue that although consumers may express a desire to support ethical companies and punish unethical firms, their actual purchase behaviour often remains unaffected by ethical concerns. This is referred to as an 'attitude – behaviour gap' (Roberts, 1996).

According to Boutin-Dufresne and Savaris (2004) and Gallagher (2005) despite the high levels of concern expressed by the public on CSR issues, the majority of customers are sympathetic to social and environmental issues rather than active. Bhattacharya and Sen (2004) similarly found that CSR initiatives impact on outcomes internal to the customer (awareness, attitudes and attributions) significantly more so than on external outcomes (purchase behaviour, word-of-mouth). According to the authors, this supports the argument that propensity to be concerned about these issues still far outstrips ethical consumer behaviour.

Providing some possible explanation for such mixed results, Becker-Olsen et al (2006) found that certain criteria must be in place to affect consumer behaviour. Firstly, consumers must believe firms are motivated to undertake CSR for the benefit of society and not merely to enhance profits, i.e. it should not be viewed as a PR tool. CSR must be seen as proactive and lastly there must be a logical link between the firm and the charity that they are supporting. When the above criteria are missing the CSR activity can actually cause a reduction in sales.

Pharoah (2003) reporting a study of over eight hundred CEOs and senior business figures from seven countries across Europe and North America found that while respondents viewed ‘increasing sales’ as the most important business objective of CSR helps to fulfil, the second most important objective was ‘recruiting and retaining employees’.

2.8.3 Employee Attraction, Motivation and Retention

Consistent with the resource based view of the firm, which suggests that sustained competitive advantage is based on the attraction, accumulation and retention of resources which are difficult to substitute and hard to imitate (Prahalad and Hamel, 1990), employees are now acknowledged as a vital asset in any company (Young and Thyil, 2009). A company’s ability to attract and retain talented people is crucial (Hopkins, 2003). What’s more, it has been argued that employee’s perceptions about how a corporation accepts and manages its responsibilities are often part of the employee’s decision about where to work (Waddock et al, 2002). A 1997 Walker Information Survey revealed that 42% of respondents took into account a company’s ethics when deciding whether to accept an employment offer.

Evans and Davis (2008) and Gatewood et al (1993) also found that potential job applicant’s intentions to pursue employment with a firm were related to the firm image. Turban and Grenning (1997) reported similar results but remarked that familiarity with the firm enhanced respondent’s attractiveness to that firm and familiarity is affected by many things besides CSR, such as advertising intensity. Backhaus et al (2002) finding in favour of the argument that CSR increases a firm’s attractiveness to potential employees found the most influential areas of CSR included environmental issues, community relations and diversity policies.

Turban and Grenning (2000) later conducted a similar study and again found firms with high CSR ratings are perceived as more attractive employers than firms with low ratings and that prospective applicant’s probability to interview and probability to accept a job offer are positively associated with CSR rating. Turban and Greening (2000) noted that

CSR can be particularly helpful in attracting high quality employees who have a high degree of employment choice. Similarly, Albinger and Freeman (2000) found that individuals with a higher level of recruitment choice were more interested in the CSR of potential employees that those individuals with less choice. Smith (2004) argued that corporate social and environmental values play a particularly significant role in the recruitment of new graduates.

Companies with a tarnished reputation as a corporate citizen can face significant recruitment problems. When a major oil company suffered damage to its reputation on environment and social grounds, the company said repeatedly that the most negative impact was the fact that young graduates were no longer attracted to the company (Roberts and Dowling, 2002). A 1991 McKinsey study of 403 senior executives from around the world revealed that 68% of them agreed that organisations with a poor environmental record will find it increasingly difficult to recruit and retain high calibre staff (Dechant and Altman, 1994).

The thinking behind this proposed outcome of CSR is that employees are attracted to firms that share similar values to themselves (Backhaus et al, 2002). The argument draws on both social identity theory and signalling theory (Turban and Grenning, 2000). Signalling Theory argues that employees require complete and accurate information about a potential employer before accepting an employment contract, in the absence of the availability of this information, employees look to the characteristics of the firms to signal the type of organisation and improve their efforts to make a rational decision (Backhaus et al, 2002). Thus organisational attributes provide applicants with information about what it would be like to be a member of the organisation (Turban and Grenning, 2000). Thus, CSR attributes act as a signal as to the organisation's norms and values.

Social Identity Theory proposes that individual's view of themselves is influenced by their membership of social organisations, including their working organisation (Brammer et al, 2007). It is argued that individuals attempt to establish a positive self concept through the comparison of characteristics of themselves and the group to which they are a member (Peterson, 2004). Thus, individuals are happiest when they associate themselves with organisations with positive reputations as this association can create or enhance their self concept (Backhaus et al, 2002; Neville et al, 2005). Organisational identification may induce employees to behave in accordance with the company's identity, reputation and strategy (Ashforth and Mael, 1996). Additionally, employees who identify strongly with their organisation are more likely to show a supportive attitude toward it (Ashforth and Mael, 1989) and to be motivated to work harder for and remain longer with the organisation (Dutton et al, 1994).

The benefits are not restricted to recruitment. It has been argued that CSR can affect a firm's ability to retain, develop and motivate employees. According to Hopkins (2003) one of the most evident intangible benefits of engaging in CSR is increased employee morale, loyalty and satisfaction. Peterson (2004) and Schiebel and Pochtrager (2003) argues that there is a positive relationship between perceived CSR of an employing firm on the part of individual employees and their commitment to that organisation. From their study of 4,712 employees of a financial services company Brammer et al (2007) found that employee perceptions of the social responsibility of the organisation has a major impact on organisational commitment.

Mittal et al (2008) argue that CSR can have a positive impact on production levels of employees. Similarly, Chatman (1991) showed that recruits whose values most closely match the firms feel most satisfied and intend to and actually do remain with the firm longer. Koh and Boo (2001) study of 237 managers reported a positive relationship between organisational ethics and employee satisfaction. Hollender and Fenichell (2004) reporting similar findings in a study of US employees which found a higher percentage of 'truly loyal' employees among the people who regarded their companies as highly ethical. Some 55% of this group were found to be truly loyal compared to 24% of those who saw their company as ethically neutral and 9% of those who felt their companies were unethical. Employee retention acts as a significant cost reduction. The cost involved in recruiting and training staff can be quite significant. A firm that has quite a high turnover rate relative to its competitors will find itself in a relative cost disadvantage situation (Johnson, 1995). Additionally, firm can experience cost savings through the improvement of environmental performance.

2.8.4 Cost saving

Many companies have claimed to increase productivity, decrease costs and increase profitability through aggressive waste reduction and process improvement programs (Brown, 1998; Roberts and Dowling, 2002; Friedman and Miles, 2001). According to Hart (1997) environmental performance can impact financial performance in a number of ways. First, there is the opportunity to drive down operating costs by exploiting ecological efficiencies. By reducing waste, conserving energy, reusing material and recycling companies can reduce costs. Ecological sustainability also provides a basis for creating a competitive advantage as there exists a large and growing segment of consumers with preference towards environmentally friendly products, packaging and management practices. Additionally, there is the argument that firms with good environmental practices can receive a reduced rate of interest on loan capital and may receive reduced insurance premiums (Jayne and Skerratt, 2003).

However, according to Brown (1998) some very real economic costs are often associated with acting responsibly and therefore responsible firms place themselves at an economic disadvantage relative to less responsible firms. In addition, concern for social responsibility may limit a firm's strategic options. For example, a firm may forgo certain product lines, plant relocations and investment opportunities on the basis of the social irresponsibility of such options (McGuire et al, 1988).

2.8.5 Access to Capital

‘The message is clear. If you want access to cash, Corporate Responsibility is key’ (Roberts et al, 2002: 7). CSR is emerging as a key factor in helping company’s access capital. More and more investors are choosing to invest their funds in organisations that are demonstrating a high level of CSR (Baron, 2008). According to Waddock and Graves (1997a) research shows that institutional investors are favourably inclined toward companies with higher corporate social performance. This is illustrated by the growth rate of funds under Socially Responsible Investment Management. This represents a rapidly growing segment of the capital market. SRI is reported to have grown by 1000% from 1999 to 2003 and over half of analysts and two thirds of investors now believe a company that emphasises its performance in CSR is more attractive to investors (Roberts et al, 2002). The previously cited Walker Research (Gildea, 1995) found 26% of potential investors said ethics and business practices are extremely important in determining where to invest. 39% said they always or frequently check on business practices and values before investing in a company.

CSR can also affect accessibility to loan capital. Banks are developing more effective means to understand social and environmental risks when lending, underwriting or financing projects (McGuire et al, 1988). According to Balabanis et al (1998) a firm's CSR behaviour seems to be a factor that influences banks investment decisions. Banks are implementing social and environmental management systems into decision making particularly to manage their own reputation.

Long term finance (debt and equity) provides companies with the funds required to operate and grow (Magginson et al, 2007). Thus, the ability to access capital is important for all organisations and can have a major impact on the success of the organisation (Johnson et al, 2005).

2.9 Conclusion

Zairi and Peters (2002) argue that it is evidently clear that social responsibility consciousness pays off in the long run and that there is a direct link with bottom line results. However, the studies assessed here provide mixed results. This chapter reviewed previous research assessing the relationship between CSR and financial performance. While it is clear that irresponsibility negatively impacts financial performance (Thorne et al, 1993; Davidson and Worrell, 1998), the financial impact of responsible behaviour remains unclear. While the majority of studies point to a positive relationship between CSR and financial performance (Brammer et al, 2007; Orlitzy et al, 2003), many studies found no relationship between the variables (Mill, 2006) while some found a negative relationship (Moore, 2001). Thus, the situation remains as it was almost two decades ago (Davidson and Worrell, 1990), there remains a lack of understanding of this relationship (Wu, 2006; Park and Lee, 2009) and the mechanisms through which financial performance is enhanced by CSR is not well understood (Doh et al, 2009).

According to Post et al (2002) the safest generalisation that can be drawn is that the empirical evidence is somewhat unreliable and the results mixed. After conducting a meta analysis of such studies Ullmann (1985) described this body of research as ‘Data in search of a theory’. Years later, Griffin and Mahon (1997) entitled their analysis ‘Twenty five years of incomparable research’. According to Barnett (2007) CSR studies have improved over time, offering stronger theoretical rationales, more relevant operationalisations, more and better controls for previously omitted variables, ‘yet the improved rigor has only produced rigor mortis’ (Barnett, 2007: 796).

In particular, the measurement of CSR has received particular criticism (Maignan and Ferrell, 2001) and there is a lack of consistency in the measurement of this variable (Wu, 2006), this chapter describes the most common approaches taken by previous research studies. However, according to Harrison and Freeman (1999) a more fine grained approach is needed to measure this complex (Mitnick, 2000) topic, which is very difficult to measure (Curran, 2005).

Some authors have argued that a more fruitful approach may be to assess the impact of CSR on individual stakeholders (Peterson, 2004; Carroll, 2000). The basic premise is that CSR improves financial performance by improving a firm’s relationships with relevant stakeholder groups (Barnett, 2007). Pivato et al (2008) also calls for a move away from direct correlations between social and financial performance and hypothesise that the result of CSR activities is the creation of trust among stakeholders The business benefits of CSR proposed in the literature include an enhanced image and reputation; increased sales and customer loyalty; increased ability to attract, motivate and retain employees; enhanced access to capital and investors and reduced operating costs. While there is a large volume of research studies measuring the relationship between CSR and financial performance, studies taking a more fine grained approach represent a neglected area of literature (Preston and Sapienza, 1990; Berman and Wicks, 1999).

Chapter Three: Corporate Social Responsibility in SMEs

3.1 Introduction

The social responsibility of business has become an important issue in recent years (Basu and Palazzo, 2008; Burton and Goldsby, 2009). All organisations have an impact on society and the environment through their operations, products and services and through their interaction with key stakeholders (Fox, 2005). As such CSR is important in all firms, large and small (Williamson et al, 2006; Moore and Spence, 2006).

Chrisman (1983) conducted a computer-assisted literature search in which 700 published articles dealing with the subject of business and social responsibility were found; only six pertained to small business enterprises. This trend has continued and SMEs remain an overlooked sector in CSR literature (Perrini and Minoja, 2008; Ciliberti et al, 2008; Burton and Goldsby, 2009; von Weltzien Hoivik and Mele, 2009) in spite of arguments made in the 1980s that CSR applies to small firms as well as large firms (Van Auken and Ireland, 1982). In particular, there is a clear lack of attention to and discussion of CSR in the Irish SME sector (Hoven Stohs and Brannick, 1999; O'Dwyer et al, 2005). The majority of this research has been conducted in the US, where an SME is defined as a company employing fewer than 500 employees (Vives, 2006), which exceeds the limitations of the SME definition in Europe.

This gap in the literature has developed because conventional CSR theory is based on the myth that large companies are the norm and CSR has been predominantly developed in and for large corporations (Jenkins, 2004b). It is argued that larger firms have a greater impact on society because they employ more people, have more products, consume more resources and produce more waste (Carlisle and Faulkner, 2004; Lerner and Fryxell, 1994). Additionally, large corporations have greater public visibility which generates interest in this sector (Chrisman and Fry, 1982; Graafland et al, 2003; Lepoutre and Heene, 2006). Indeed, information is more readily available and accessible on firm performance and social activities in publicly traded, large-scale corporations (Thompson and Smith, 1991). In addition, larger firms are more open to public scrutiny in the area of CSR (Buehler and Shetty, 1976; Fox, 2005). The main private sector sponsors of research and consultancy in CSR, not surprisingly, tend to be large firms (Spence and Rutherfoord, 2001).

Little is known empirically about the level of social responsibility in small firms (Schaper and Savery, 2004; Perrini, 2006). While articles have been calling for research on CSR in SMEs since the 1990s, the work to date has been limited and there is a considerable amount of research needed (Ciliberti et al, 2008; Perrini and Minoja, 2008). Further, there is an acknowledgement that research on CSR in SMEs would have both academic and professional benefits (Hornsby and Kuratko, 1994). According to Lepoutre and Heene (2006) research on CSR in SMEs is important for two main reasons; firstly, SMEs constitute a large proportion of all businesses across Europe and America and contribute significantly to economic development. Secondly, SMEs are different in nature to large firms which may impact on the implementation of CSR.

This chapter unfolds as follows; to set out the significance of research on CSR in SMEs, the importance of this sector to an economy is discussed. Attention is then turned to defining the SME and in particular to differentiate between SMEs and large firms. One major difference is the fact that in SMEs, ownership and control is often the responsibility of one person, and the implications of this on CSR is outlined. The idea that CSR is operationalised through stakeholder theory in SMEs is discussed. Proposed barriers to CSR experienced by SMEs are then discussed, including the term CSR itself. Evidence of the type and extent of CSR in SMEs in spite of these barriers is set out before turning attention to the supply chain pressures imposed on SMEs to undertake such CSR. Lastly, the financial implications of these activities are then discussed.

3.2 Importance of SMEs

Once consigned by many to the periphery of an economy, SMEs are now recognised as the primary driver of economic development (Spence and Rutherfoord, 2001). From the 1980s the number and importance of SMEs has increased dramatically (Jenkins, 2004b) and this group arguably represents one of the most important sectors of society (Hillary, 2000). They have been described as the bedrock of an economy (Fox, 2005). SMEs create employment and can be seen as a source of innovation and entrepreneurial spirit (Wilkinson, 1999). 'In short, small and medium sized firms are vitally important for a healthy dynamic market economy' (Hillary, 2000: 1). Thus, a focus on large firms far from represents the entire story (Spence et al, 2001) and to ignore this sector when studying CSR is to ignore an important slice of business activity (Quinn, 1997).

SMEs make up over 90% of businesses worldwide and account for 50-60% of employment (Jenkins, 2004). In the UK, the 3.7 million SMEs provide 56% of employment and generate 52% of private sector turnover (Spence and Schmidpeter, 2003) and 38% of GNP (Williamson and Lynch-Wood, 2001) and these statistics are similar across the European Union. The 25 million SMEs across Europe constitute the largest group of businesses in Europe. In fact, 99% of all enterprises in the EU are SMEs (Ciliberti et al, 2008). European SMEs employ 66.36% of a workforce of almost 122 million people.

According to Erkki Likanen, European Commissioner for Enterprise and the Information Society (2002 cited in CSR Europe, 2003b: 1) 'Europe's competitiveness depends on our small and medium sized enterprises. The only way to make Europe the most competitive economy in the world is to make our small enterprises the most competitive of all'.

3.3 Defining an SME

Storey (1994: 8) argues that 'there is no single, uniformly acceptable definition of a small firm'. According to Hillary (2000) it is a catch all term, bandied around whenever non-large firms are being discussed. Most definitions of an SME relate to number employed, however, reaching a consensus on size has proved complicated and problematic (Jenkins, 2006). Sizes vary from fewer than 100 (Graafland et al, 1998), 250 (Spence et al, 2003; Moore and Spence, 2006), 500 (Bessera and Miller, 2000, Thankappan et al, 2004; Hitchens et al, 2003) and 800 employees (Gomolka, 1978). The American Small Business Administration once defined a manufacturing firm as small if it employed fewer than 1,500 people (Storey, 1994).

The EU has defined an SME as a company with less than 250 employees and has sales less than €40 million per annum or balance sheet total less than €27 million. In addition, the company must be independent i.e. separate from an economic group that is stronger than the SME. The EU has differentiated between micro, small and medium sized firms as follows:

Enterprise category	**Head count**	**Turnover or**	**Balance sheet total**
Medium sized firms	< 250	Up to €50 million	Up to €43 million
Small firms	< 50	Up to €10 million	Up to €10 million
Micro firms	< 10	Up to €2 million	Up to €2 million

Source: European Commission (2002)

Figure 3.1 European Union definition of an SME

The variety of definitions is partly explained by the heterogeneous nature of SMEs. There is no such thing as a typical SME (Curran et al, 2000; Wilkinson, 1999; Fox, 2005). According to Storey (1994) the expansion of self-employment and small business ownership since the 1980s has been accompanied by changes in the range of activities in which they are engaged to the point that small firms are involved in almost every form of economic activity. There is huge variability amongst SMEs, based on such factors as sector, age and history of the company and geographical location. As a result, the approach to and activities of CSR is likely to vary among SMEs. Thompson and Smith (1993), for example, found charitable donations vary greatly among small firms. Thus, the assumption of one SME 'type' is false (Jenkins, 2004b). Even greater than the difference within SMEs is the difference between SMEs and large firms.

3.4 Different Nature of SMEs and Large Firms

The focus of research on large firms rests in the assumption that concepts and methodologies of CSR in large companies have a universal applicability (Wilkinson, 1999). It is assumed that SMEs are 'little big companies' (Tilley, 2000) and that advances to engage companies in CSR can simply be scaled down to 'fit' SMEs (Jenkins, 2004b). However, it is clear that SMEs are not miniature versions of large firms (Williamson et al, 2006) and CSR, such as it is understood for large companies cannot simply be 'cut and pasted' onto the SME reality, a 'one size fits all approach' is unlikely to be appropriate (Toyne, 2003) because SMEs are different in nature, not just size, from large firms (Haugh and McKee, 2004; Ciliberti et al, 2008) which makes it difficult for them to adopt large firm practices (Williamson et al, 2006).

One differentiating characteristic between large and small firms is their structure. Large firms tend to have a bureaucratic structure, which implies they rely on high levels of specialisation, standardisation and formalisation. Small firms, on the other hand tend to follow an organic structure, which is characterised by the absence of standardisation and rests on loose and informal working relationships (Perez-Sanchez, 2003). Small firms also differ from large firms in their management style and in the characteristics of the owner-managers (Tilley, 2000) which can affect the content, nature and extent of their CSR activities. For example, stakeholder relationships for an SME may be based on a more informal, trusting basis and characterised by intuitive and personal engagement with a smaller gap between the relative power and influence of company and stakeholder; whilst large companies are far more likely to engage in carefully planned, formal, strategic stakeholder management with the majority of power to dictate outcomes lying with them (Jenkins, 2004). Equally, research by TNS Gallup (2005) found twenty seven percent of SMEs have not formally assigned responsibility of CSR within their organisation. The research also found SMEs are less likely than larger firms to communicate their CSR efforts, only thirty six percent of SME respondents communicate their CSR activities externally and of these only forty percent have systematic external communications. Additionally, large SMEs (100-250 employees) are more likely to communicate their CSR efforts than smaller SMEs (less than 100 employees).

Williamson et al (2006) argues small and large firms approach CSR differently. Providing support Perrini (2006) argue that small and large firms conduct different activities in relation to CSR. Small firms tend to be independent and owner-managed, stretched by multi-tasking, limited cash-flow and 'fire fighting', built on personal relationships, mistrust of bureaucracy and controlled by informal mechanism. Similarly, Castka et al (2004) found SMEs approach CSR on an informal basis, few small businesses have statements of objectives or formal procedures for evaluating performance related objectives to external stakeholders (Burton and Goldsby, 2008). Graafland et al (2003) found that large firms were more likely than SMEs to make use of formal instruments to organise CSR such as codes of conduct, ISO certification and social reporting. These factors mean that small firms are different in nature, not just size, from large firms (Spence and Lozano, 2000).

It has been argued that large firms view CSR as an integral part of business operations and adopt formal and strategic CSR policies and procedures. On the other hand, SMEs view CSR as an 'add on' activity (Jenkins, 2004b) and conduct CSR on an ad-hoc basis (Schaper and Savery, 2004) often unrelated to their strategy. Moreover, Schaper and Savery (2004) found that regular and related-to-the-business-strategy social activities become more common as enterprises expand. Thompson and Smith (1993) found that only 9% of small business respondents indicated that they had official written policies for CSR. It is becoming increasingly popular for large firms to include CSR in their annual reports or produce separate CSR reports (Keeble et al, 2003). In addition large firms are increasingly devoting sections of their website to communicate their CSR activities. However, it has been argued that small firms are conducting CSR and not communicating it, or may not even realise they are in fact conducting CSR (Perrini, 2006; Prinic, 2003). Providing some insight, Roche (2002) argues that CSR among SMEs is generally at an earlier stage of development than among large firms.

Jenkins (2004a) argues that motivational pressures to engage in CSR differ among SMEs and large companies. Jenkins (2006) later expands on this and argues that the growing visibility and global impact of large companies and brands has heralded calls for greater transparency and accountability. SMEs, on the other hand, remain largely invisible and unlikely to see CSR in terms of risk to brand image and reputation. For SMEs, issues closer to home are far more likely to hold their attention such as employee motivation and retention.

Prinic (2003) and Vives (2006) found that SMEs were not motivated to be socially responsible out of a belief that it would bring business benefits but rather from a belief that it is simply the right thing to do, thus the motivation for SMEs is ethical as opposed to commercial in nature. Focusing on large firms, Navarro (1988) found that the main motivation for contributing to charity was profit maximisation. A study from TNS Gallup (2005) found both of these motivational pressures to be present: it was reported that 56% of SMEs cited financial results as a justification for undertaking CSR and 69% gave ethical and moral reasons. However, it was noted that larger SMEs (100-250 employees) were more likely to cite financial reasons for undertaking CSR than smaller SMEs (less than 100 employees). This may be a reflection of the different management structures in large firms and SMEs. Whereas large firm mangers are answerable to a group of shareholders as to the financial performance of the firm, in SMEs, ownership and control tends to rest with a single individual.

3.5 Combined Ownership & Management

Ownership and management within small firms are not separated to the extent that they are in large multinational firms (Spence and Rutherfoord, 2001; Thankappan et al, 2004; Ciliberti et al, 2008). Thus, control remains in the hands of one of the owners, potentially enabling him or her to make personal choices about the allocation of resources (Spence and Rutherford, 2001). A study by TNS Gallup (2005) found that in half of the SME respondents, responsibility for CSR is assigned to senior management.

Given their position at the apex of the organisation (Lerner and Fryxell, 1994) the acceptance of CSR is largely a factor of the personal attitudes of the owner/manager (Hopkins, 2003; Perez-Sanchez, 2003; Spence and Rutherfoord, 2001: Jenkins, 2006). Top management in its normative selections and normative commitments sets the moral tone for the organisation and is primarily responsible for establishing and maintaining the moral climate of the organisation (Logsdon and Yuthas, 1997). This is particularly important in small firms (Gomolka, 1978; Thompson and Smith, 1993; Jenkins, 2004b) where the personal values of the CEO often play a strong influencing role in the strategic direction of SMEs (Perrini and Minoja, 2008). In businesses with fewer than 50 employees, owner/managers will most likely have sole responsibility for encouraging and implementing commitment to social responsibility (Thompson and Smith, 1991).

Freeman (1984) argued that one would expect to find a high degree of congruence between managerial values and the overall values attributed to the organisation. Burton and Golsby (2008) found this to be true. Their results suggest that small business owners translate their attitudes into behaviour fairly directly. Those who place more emphasis on the economic domain concentrate on economic stakeholders and profit related goals; those who place more emphasis on non-economic domains concentrate more on non-economic stakeholders and community related goals.

Lerner and Fryxell (1994) failed to uncover a relationship between CEO attitudes regarding stakeholder importance and firm social performance, as measured by their

Fortune rating. However, Jenkins (2004a) reported that all SME owner/manager respondents of her study felt that their values were essential and a powerful driver of ethics and standards in their company. According to Friedman (1970) owner/managers of small business have the right to allow their own ethical attitudes to bear on business related decisions because they own the business and therefore CSR activities are financed by the owner/manager themselves whereas the employed manager of a large firm has no such right as he is acting solely as the agent of the firm's shareholders.

Relating to specific owner/manager characteristics, Bessera and Miller (2001: 228) found support for the hypothesis that 'the group of businesses reporting the highest levels of community social responsibility will have owner/managers with greater educational achievement, longer length of residence in the community and have more children in the household than owner/managers of businesses with less community social responsibility'. While Schaper and Savery (2004) failed to find a connection between owner/manager age and gender and their CSR activities, it was reported that level of education significantly affected owner/managers propensity to donate to charity.

3.6 Defining CSR in SMEs

It has been argued that stakeholder theory can be used to describe and explain CSR (Wang, 2008; Agle and Mitchell, 2008). The argument is equally applicable to small firms, 'for SMEs, responsible business…maximises benefits for their business as well as for their internal and external stakeholders' (CSR Europe, 2003b). Toyne (2003: 7) found that seven out of eighteen SMEs surveyed defined CSR as 'the organisations responsibility to its stakeholders'. Jenkins (2006) study of twenty four SMEs in the UK found that all respondents implicitly or explicitly described their CSR efforts along the lines of stakeholder theory.

It has been argued that a critical issue pertaining to small firm success is the ability to manage and develop a network of interdependent relationships with a wide and diverse range of stakeholders. Gibb (1997: 18) emphasises that even the ability to survive 'will be a function of (the small firm's) ability to…build interdependency with these stakeholders'.

SME definitions of stakeholders are as heterogeneous in nature as SMEs themselves; companies talk about those who have an 'interest', 'stake' or 'connection' in the company and those who 'influence', 'affect' or 'depend' on the company (Jenkins, 2006). The identification of key stakeholders is, however, consistent. They are employees, customers, the environment and local community (Jenkins, 2004a; Thompson and Smith, 1993).

Communities are also of particular importance to SMEs who are rooted in the community and identify themselves as part of the community (Toyne, 2003). SME owner/managers not only operate in the local community but very often they live in the same area (CSR Europe, 2003a). Thus, SMEs rely much more than large enterprises on the health, stability and prosperity of the local communities in which they operate, most of their clients and the majority of their employees come from the surrounding area.

3.7 Barriers to CSR for SMEs

Carroll (1991) placed economic responsibilities as the base of the pyramid of responsibilities indicating that the fundamental responsibility of business is to be financially successful. The economic sustainability of an enterprise is the first precondition for pursuing any other CSR activities. Considering small firm's economic vulnerability, it is logical to expect that they place high importance on economic performance. The majority of respondents to Brown and King's (1982: 15) survey of small firms agreed with the statement 'the primary responsibility of business is to make a profit'. According to Jenkins (2004a) this responsibility can take up a lot of time and energy of small firm owner/managers, which can be regarded as the greatest barrier to engage in CSR.

According to current literature, the two most fundamental barriers to CSR experienced by SMEs are time and financial resources (Jenkins, 2006; Sarbutts, 2003; Prinic, 2003; Vives, 2006; Lepoutre and Heene, 2006; Roberts et al, 2006; Ciliberti et al, 2008). The European Commission (2002) found that 16% of SMEs identified lack of financial resources as their main barrier to CSR involvement. This is in line with the argument that CSR is a luxury afforded only by larger firms (Spence et al, 2003). According to Slack Resource Theory, strong financial performance provides the necessary resources to undertake CSR, thus CSR is dependent on financial performance (Preston and O'Bannon, 1997). According to Lepoutre and Heene (2006) in the minds of most SMEs, CSR activities are perceived as costs which, if undertaken will place them at a competitive disadvantage. In addition, relative to their larger counterparts, SMEs have fewer opportunities to reap benefits of economies of scale, scope and learning, increasing the relative burden of these costs. A similar argument is made by Graafland et al (2003). However, to argue that finances are a constraint implies CSR is a cost. In line with the argument that CSR increases financial performance in the long term (Pava and Krausz, 1996; Tsousoura, 2004), it may be more appropriate to view it as a long term investment (Johnson and Greening, 1999).

CSR represents a long term investment (Schiebel and Pochtrager, 2003) and it has been argued that SMEs tend to focus on a short term horizon (Carlisle and Faulkner, 2004; Fox, 2005). In contrast to large firms with specialised CSR departments, it is often the same person(s) having to deal with CSR issues in addition to the company's day-to-day operations and survival in small companies. Buehler and Shetty (1976) found that larger firms approached CSR in a more formal manner and make structural changes as a result of adopting CSR more so than smaller firms. This, along with the financial constraint of small firms may explain the findings of Knowles and Hill (2001) and Gimmez-Leal et al (2003) that ISO accreditation is more popular in large firms than in SMEs.

SMEs are constantly struggling for survival (Enderle, 2004); owner/managers often talk of 'fire-fighting' – simply dealing with urgent tasks so that the enterprise survives in the short term (Spence, 1999). Jenkins (2003) argues that, realistically, 60% of SMEs are simply content to survive as long as they are making a decent living. Spence et al (2003) found a UK SME owner from their study argued that it all comes down to economics in the end. If you have a good thriving business you can afford to be more aware, if you are a little sandwich shop around the corner and you are struggling it is going to be your last priority really. Friedman and Miles (2001) and Roberts et al (2006) highlight that SMEs may lack relevant information and guidance in relation to CSR. Lastly, Roberts et al (2006) point out the possible fear among SMEs of doing things wrong. This barrier posits that SMEs fear they could implement CSR activities poorly or in the wrong way, exposing themselves to increased problems.

However, Castka et al (2004) report findings of a large scale survey of SMEs in which it was highlighted that barriers to CSR such as fear of bureaucracy, time and cost constraints are not experienced by SMEs in reality. Equally Perez-Sanchez (2003) argue that the most often quoted barrier of lack of financial resources may not be a major barrier in reality as many initiatives do not require a great deal of financial support. This supports the argument made by Roberts et al (2006) that barriers are often more of a perceptual fear that is not realised by SMEs who are engaged in CSR. Another barrier to CSR argued in the literature to be experienced by SMEs is the term CSR.

3.8 The Term CSR in SMEs

As indicated by many researchers (Jenkins, 2004a; Roberts et al, 2006) the language used to engage companies on CSR issues can be a major obstacle for progress, the CSR lexicon can be inaccessible or alienating to smaller firms. According to Murillo and Lozano (2006) the term CSR is not a concept that makes people feel comfortable or one with which they can identify. It has been argued that the term Corporate Social Responsibility is a rather complex notion developed for large companies which is perhaps not the most appropriate term for SMEs (Jenkins, 2004b; Moore and Spence, 2006) in particular the word Corporate alienates some SMEs, implying a certain size enterprise (Schaper and Savery, 2004). It can be misleading and imply that the CSR agenda is exclusively related to multinational corporations (Castka et al, 2004). Jenkins (2004a) found SMEs believe CSR is an inappropriate term, describing it variously as ‘confusing’, ‘frightening’, ‘difficult’, ‘daunting’, ‘jargon’, ‘woolly’, ‘abstract’ and ‘academic’. In a study of twenty four SMEs operating in the UK, Jenkins found seventeen were uncomfortable with the term CSR.

Thus, it is possible that the term ‘Corporate Social Responsibility’ is not the most useful or indeed effective phrase to describe the spectrum of community, environment and social activities undertaken by SMEs. The term can be a barrier to social involvement as it evokes the spectre of regulation, perceived as burdensome to SMEs. According to Roberts et al (2006: 281) ‘the terms Corporate Social Responsibility or Corporate Responsibility are simply the wrong terms to engage and/or support smaller business in understanding and managing their key social, environmental and economic impacts’. Alternative terms such as ‘Business Social Responsibility’ (Bessera and Miller, 2001; Bessera and Miller, 2000) and ‘Responsible Entrepreneurship’ (European Commission, 2002) have been proposed for the social responsibility of SMEs.

3.9 CSR activity in SMEs

In spite of these barriers, research indicates that many SMEs conduct CSR and are often active members of their communities (Jenkins, 2004a; Roberts et al, 2006). Some of the most inspiring examples of socially responsible business have been small companies and their active involvement in their local communities. Research in the late 1970s by Abouzeid and Weaver (1978) found none of the small firm respondents to their study regarded CSR as a major goal in their business. However, looking at more recent studies, the opinion of SMEs would seem to have changed. Castka et al’s (2004) research project of CSR in SMEs indicated that SMEs acknowledge there is a need for them to conduct business in a socially responsible manner.

According to Sarbutts (2003) SMEs, being flatter and potentially quicker on their feet, without analysts and shareholders fixated by price/earnings ratios, are better placed than major corporations to take advantage of the changing needs of society. Less formal and bureaucratic than large firms, they can direct resources to CSR activities without too much additional administration and can build strong relationships with stakeholders because they are closer to their stakeholders and managers are actively involved with CSR and stakeholder management (Metzler, 2006). Similar arguments have been made by Perez-Sanchez (2003). Wilkinson (1999) found that only 12% of the small businesspersons interviewed felt they had no social responsibilities.

A recent study from TNS Gallup (2005) reported that three quarters of Danish SMEs have implemented CSR activities. Perrini (2006) reported that 50% of European SMEs are involved in socially responsible activities. However, the degree of involvement tends to positively correlate with the size of the enterprise, ranging from 48% amongst the very small enterprises to 65% and 70% amongst the small and medium sized enterprises.

Some of the most common examples of CSR in SMEs include donating to local causes and charities, sponsorship of local events and organisations, support for local schools and colleges, environmental initiatives, ethical purchasing and staff related activities (Worthington et al, 2006). Fox (2005) argued that SMEs are perhaps more likely than large companies to contribute to society in their localities as they are more likely to be embedded in these communities. This argument has also been made by Besser and Miller (2001), Spence and Schmidpeter (2003) Murillo and Lozano (2006) and Moore and Spence (2006). Supporting this argument, Roche (2002) reports research that suggests SMEs in the UK make a social contribution worth up to £3 billion each year, which represents about ten times that of large organisations. However, the argument has been made that CSR in SMEs may not be undertaken by choice but in reaction to supply chain pressure from large firm customers (Kinnie et al, 1999).

3.10 Supply Chain pressures on SMEs

As large firms come under increasing public scrutiny they are being forced to monitor and ensure the right social and environmental behaviour is carried out within their entire supply chain (Perez-Sanchez, 2003). According to Roberts (2003) as a number of high profile companies have found to their cost, corporate reputations can be significantly affected by a firm's management of sustainability issues, including those that are outside their direct control such as the environmental and social activities of suppliers. The success of CSR depends on all parties in the supply chain (Jorgensen and Knudsen, 2005). As a result, many companies have developed codes of conduct or other forms of policies to govern the behaviour of their supply chain partners and have begun the practice of monitoring compliance with these codes of conduct.

Despite the longer history of CSR, applications of CSR concepts to supply chains have only emerged in the last few years. Ciliberti et al (2008: 1580) define a sustainable supply chain as 'the management of supply chains where all three dimensions of sustainability, namely the economic, environmental and social ones are taken into account'. As CSR becomes a condition for operating in some supply chains it represents an issue of great importance to those SMEs that form part of the supply chain of larger firms. For these SMEs, CSR is not an optional extra but a necessary condition for survival (Roche, 2002). This is particularly apparent in export sectors in which approaches to ethical trade have been pioneered such as garments, toys and food (Fox, 2005).

Toyne (2003) found that half of respondent SMEs argued that they have been questioned about CSR practices and that such practices are important in winning contracts. Gryson (2005) found from a survey of small firms that 60% had been asked about health and safety of working practices and 40% had been asked about their environmental performance by large firm customers. Perrini (2006) report similar findings. In a study of 300 Danish SMEs Jorgensen and Knudsen (2005) found 64% had received buyer requirements in the area of environmental protection, 56% in the area of health and safety, 42% in relation to labour rights and 36% on human rights. However it was noted that rule making with regard CSR in supply chains was more common than rule keeping, only a fraction of those receiving requirements from suppliers had those requirements enforced.

According to many authors (Hopkins, 2003; Roberts et al, 2006), large companies can and do influence the behaviour of smaller firms in their supply chain and in particular in relation to environmental purchasing initiatives (Carter and Carter, 1998). Ethical sourcing codes of conduct have become commonplace (Roberts, 2003). These codes typically set out minimal requirements regarding environmental protection, health and safety, human rights and labour rights (Jorgensen and Knudsen, 2005). Jayne and Skerratt (2003) argue that the popularity of ISO 14001 (environmental) is a result of a 'trickle down effect' whereby firms who have obtained the certificate are requesting suppliers to also do so. Fox (2005: 4) reports survey findings in which it was reported that the most likely reason for SMEs to introduce and environmental management system is 'when it becomes essential to secure and retain business' either with local or international clients. Marrewijk and Werre (2003) reported from a case study of the banana company, Chiquita, that many major European retailers chose the company on the basis on its CSR commitments.

3.11 CSR and Financial Performance in SMEs

Thompson and Smith (1991) note that, unlike the CSR literature centring on large corporations, there have been few studies investigating the relationship between CSR and financial performance in SMEs and call for such research, 'it would be useful for researchers to investigate this relationship in small businesses and to ascertain whether socially responsible small businesses are more financially successful' (Thompson and Smith, 1991: 35). Those studies that have been carried out often contain methodological weaknesses severely limiting the ability to draw meaningful conclusions from them. For example, samples are often non-random or convenience based and extremely small.

Positing that irresponsible behaviour leads to poor economic performance, Chrisman and Archer (1984) argue that firms behaving in a manner, of which the bulk of society disapproves, face a bleak future and their chances of long term survival are considerably lessened. ISME chairman Robert Berney (cited in Clerkin, 2005:1) argues that ‘companies who ignore their social responsibilities will pay a heavy price through lost business, lost productivity and consequently lost jobs’.

Orlitzky (2005) argue that organisations of all sizes may benefit from CSR financially. Small firms may also obtain a competitive advantage from CSR (Enderle, 2004). Indeed as far back as 1980 research by Wilson (1980) found that the majority of small firm respondents to her study believed CSR was necessary for the sake of profits as such acts lead to good reputation and repeat business. Bessera and Miller’s (2000) study of 1,008 telephone interviews with a stratified random sample of small business owners reported that this sample of respondents believed there to be a positive relationship between CSR and financial performance. A case study of four SMEs operating in Spain conducted by Murillo and Lozano (2006) similarly found that all companies without exception and with great conviction defend a strong positive correlation between CSR and financial performance.

Brown and King (1982: 15) found that virtually all respondents agreed with the notion that ‘ethical practices are good business in the long run’. Bessera and Miller (2001) also found a significant segment of small business managers believe in the tenet of the enlightened self interest model of business social responsibility, that is, that doing good is good business. Wilson (1980) conducted a study consisting of in-depth interviews with 180 owner/managers of SMEs. A key finding was that the majority of respondents stated that social responsibility was necessary for the sake of profits, as it lead to an enhanced reputation and repeat business. The previously mentioned study by TNS Gallup (2005) found that 36% of SMEs believe CSR has a positive impact on their financial performance while only 4% feel it has a negative impact.

In chapter two, the business case of CSR was set out to help explain the positive relationship between CSR and financial performance. The business benefits of CSR experienced by SMEs are similar to those experienced by large firms, however, there is considerably less research providing evidence of these benefits in SMEs (Jenkins, 2004b). Firstly, an enhanced enterprise image and reputation has been cited as a business benefit resulting from small firm investment in CSR activities (Jenkins, 2004b; Toyne, 2003).

Secondly, CSR is thought to enhance SMEs ability to attract, retain and develop committed, motivated employees (Toyne, 2003; Murillo and Lozano, 2006). Evans and Davis (2009) argue that in light of recent corporate scandals and growing global awareness, the expectations and standards for much of todays top talent has increased in the area of business social performance. Employee retention can be of particular importance to SMEs as it costs significantly more to replace an employee in a small firm compared to large firms. SMEs may be reliant on a small number of key employees who are required to carry out a large number of tasks, which means that preventing rapid turnover of staff is a high priority (Fox, 2005).

It has also been noted that firms can experience cost reduction through environmental performance that reduces waste and leads to more ecological and economical production processes. Friedman and Miles (2001) for example, report a firm of 40 solicitors who saved stg£12,647 in two years as a result of small environmental improvements such as paper waste monitoring by printing on both sides. While SMEs are unlikely to benefit from social investing, smaller firms can experience benefits when seeking loans as lenders are increasingly taking social responsibility as an indicator of risk (Jenkins, 2004b).

Lastly and possibly most importantly it has been argued that CSR can help small firms to attract and retain customers. A European survey of customer’s attitudes towards CSR (CSR Europe, 2003a) showed that around 25% of Europeans suggested that the enterprise’s social image is a very important factor when deciding to purchase a product or service. 53% of Irish adults claim they would pay more for products/ services that are environmentally and socially responsible (Clarkin, 2005).

3.12 Conclusion

In line with the growing interest in CSR recently (Angelidis et al, 2008), the topic has been seen as an important area for SMEs as well as large corporations (Ciliberti et al, 2008) who have an impact on society and the environment through their operations, products and services and through their interaction with stakeholders (Fox, 2005). However, there is a gap in the literature with to regard research on CSR in SMEs (Perrini and Minoja, 2008). Literature specific to SMEs is important due to the different nature of large and small firms which impacts on their CSR, for example SMEs tend to be more loosely structured (Perez-Sanchez, 2003) and thus, they are likely to approach CSR in a more informal manner (Jenkins, 2004). In particular the fact that small firms are managed and controlled by a single individual indicates that the attitudes and interests of this individual can have a major impact on the type and extent of CSR in the firm (Tilley, 2000).

Literature has argued that SMEs can experience an abundance of barriers with regard CSR, such as time constraints (Jenkins, 2006), cost constraints (Prinic, 2003), a focus on the short term time horizon (Fox, 2005), lack of human resources (Vives, 2006). The term CSR has also been highlighted as a barrier for SMEs, Jenkins (2004b) and Moore and Spence (2006) argue that the term is complex and in particular the word corporate alienates some SMEs (Schaper and Savery, 2004). However, there has been some indication that SMEs may not experience these barriers in reality (Castka et al, 2004). In spite of the expected barriers for SMEs, studies indicate that SMEs undertake similar activities to large firms, although to a smaller scale.

Additionally, it has been argued that SMEs can experience enhanced financial performance as a result of such activities (Orlitzy, 2005). The business benefits for

SMEs proposed to result from CSR are similar to those identified in chapter two and include; enhanced image and reputation (Toyne, 2003; Jenkins, 2004b), attraction, motivation and retention of employees (Murillo and Lozano, 2006), cost reductions (Friedman and Miles, 2001) and attraction and retention of customers (Clarkin, 2005). The relationship between CSR and each of these benefits is tested in chapter seven.

Chapter Four: Interview Research Methodology and Findings

4.1 Introduction

Semi-structured interviews have been chosen as a form of exploratory research to aid in the development of the mail survey due to the under-researched nature of CSR in an Irish context. Described as a convenient and established method of gaining deeper understanding in social research (Bauer and Gaskell, 2000; Fontana and Frey, 1994), this method has been previously employed in the area of CSR (Whitehouse, 2006) and specifically in relation to CSR in SMEs (Friedman et al, 2000; Tilley, 2000; Spence and Rutherfoord, 2001).

This chapter is outlined as follows; firstly, the research objectives are discussed. Next, the in-depth, semi-structured face to face interview is discussed along with the strengths and weaknesses of this method. Attention is then turned to analyzing the main findings from this research. Finally, the implications of this research on the next research step are outlined.

4.2 Research Question

It is important to begin by stressing what it is that the research is trying to find out (Punch, 2005); this is the first and key step of any research project (Burns and Bush, 2000). Thus, researchers must design their study according to the research question so that the research question matches the research methodology (Punch, 2005) i.e. an appropriate methodology is chosen for the particular research question(s).

<u>Research Question</u>
A study of current practice of Corporate Social Responsibility of both large firms and SMEs operating in Ireland and an examination of the relationship between CSR and financial performance through Structural Equation Modelling.

This research aims to contribute to three research gaps in the literature. Firstly, as this research is one of very few concerning CSR in an Irish context it will contribute to the lack understanding concerning CSR in Ireland (O'Dwyer et al, 2005). Secondly, this research pays specific attention to the SME sector, thus contributes to the limited body of work in this area (Burton and Goldsby, 2008). Finally, using a more detailed method of analysis than that which has been previously used to assess the relationship between CSR and financial performance, this research answers the call for a more fine grained approach to measuring this relationship (Hillman and Keim, 2001). Each research objective is discussed in more detail.

4.2.1 Research objectives

<u>Objective One</u>

To determine an operational meaning of the term CSR (differentiating between large and small firms).

Although the concept of CSR is widely discussed in theory and practice (Weber, 2008) a universally accepted definition of the concept is yet to emerge (Khanna, 2008). This has lead to a limited conceptual understanding of CSR (Idemudia, 2008). The first objective of this research is to uncover an operational meaning of the term in an Irish context. In addition, by differentiating between large firms and SMEs, the research contributes to the lack of research in this sector (Perrini and Minoja, 2008; Cilberti et al, 2008). Such research has been called for to provide both academic and professional benefits and would act as a major contributor to SMEs undertaking CSR (Perrini, 2006).

<u>Objective Two</u>

Uncover the nature, type and extent of CSR (differentiating between large and small firms).

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CSR is recognised as a topic of great importance (Basu and Palazzo, 2008; Renneboog et al, 2008) and is specifically important to Irish firms (Hoven Stoh and Brannick, 1999; O'Dwyer, 2003). However, there is a lack of attention to, and discussion of, CSR in Ireland (Hoven Stohs and Brannick 1999; O'Dwyer et al 2005). The second objective of this research is to determine the type and extent of CSR currently conducted by firms operating in the Irish sector. As such this research represents a response to Margolis and Walsh (2001) call for research on *how* firms conduct CSR.

Objective Three

Evaluate the relationship between CSR and financial performance.

The relationship between CSR and financial performance represents the most questioned area of CSR (Angelidis et al, 2008). While a lot of research points in favor of a mild positive relationship (Orlizky et al, 2003), this connection has not been fully established (Neville et al, 2005; Prado-Lorenzo et al, 2008; Park and Lee, 2009) and the mechanisms through which financial performance is enhanced by CSR is not well understood (Jawahar and McLoughlin, 2001; Doh et al, 2009). This research will use a more sophisticated and advanced research methodology than previously used in this area to assess and explain the nature of the relationship between these two variables. This research will use structural equation modelling; a method that has been used in CSR (Johnson and Grenning, 1999) and related fields such as consumer behaviour (Jarratt, 2000) and ethical decision-making (Shaw and Shiu 2002). Indeed, Rowley and Berman (2000) argue that SEM may provide insight into the relationship between CSR and financial performance; however, this has not yet been undertaken.

This method will therefore simultaneously measure the links between CSR and each business benefit predicted to follow from CSR, including enhanced employee attraction, motivation and retention, customer attraction and loyalty, access to capital and firm reputation. The method will also measure the relationship between each of these benefits and financial performance. According to Jawahar and McLaughlin (2001: 399) in most studies 'the reasons for expecting a relationship are not clearly articulated'.

This begins the process toward answering the call for fine grained ideas about each stakeholder group (Harrison and Freeman 1999; Hillman and Keim 2001), as Brammer et al (2007) and Maignan and Ferrell (2001) note, there is an abundance of studies on CSR and financial performance but considerably less research has addressed the impact of CSR on different stakeholder groups.

4.3 Interviews

The in-depth interview originated from clinical psychology and psychiatry. It is probably the most widely employed method in qualitative research (Bryman, 1988). Interviews can vary in their formality from the completely structured interview to the semi-structured to the unstructured.

The structured interview is highly formalised (Saunders et al, 1997). Using standardised questions in a set order, it closely resembles a survey. The unstructured interview in contrast tends to be very similar in character to a conversation (Burgess, 1984 cited in Bryman, 1988). The interviewee is given the opportunity to talk freely about events, behaviour and beliefs in relation to the topic area, so that this type of interaction is sometimes called non-directive (Saunders et al, 1997). However, Bryman (1988) argues that some structure is needed in order to ensure comparability. Between these two contrasting interview styles is the semi-structured interview. This type of interview is more focused than the unstructured interview but less formal than the structured interview. While the objective here is to cover a specific list of topics or areas, the interviewer has freedom during the interview to omit questions, include additional questions or change the order of questions as they deem appropriate.

Semi structured interviews were chosen for this research, while ensuring objectives of this stage of research are met, this interview style allows for the necessary flexibility when researching a topic such as CSR.

The objectives for the interviews include:

(a) To discuss the overall research objectives of this research with a small sample, thus to gain some initial findings in relation to these objectives and to obtain feedback of their reaction to the type of questions asked
(b) To gain an understanding of the most appropriate terminology to use in the survey.
(c) To identify the most important areas for further research. In line with the argument made by Scandura (2002), it is also envisaged that the interviews may uncover additional areas to research through the survey.

4.4 Strengths and Weaknesses of Interviews

There are many advantages to the use of interviews; firstly, they provide a depth of information – subjects can be probed, issues pursued and relevant lines of investigation followed (Bell, 1999; Denscombe, 1998; Birn, 2000). They provide rich (Birn, 2000) and comprehensive (Creswell, 1994) data. Interviews are more comprehensive than surveys, the interviewer can ensure that all questions are answered (Bailey, 1982). Thus, the researcher can gain valuable insights and understanding based on the depth of information gathered (Denscombe, 1998; Birn, 2000). Interviews are more flexible, they allow for developing a line of enquiry and making adjustments to the line of enquiry (Denscombe, 1998), the interviewer can probe for more specific answers (Bailey, 1982) or more explanation (Bell, 1999) and clear up any misunderstandings when it appears that they have occurred (Bailey, 1982). Lastly, interviews are generally pre-arranged and scheduled therefore a high response rate is expected (Denscombe, 1998; Bailey, 1982).

However, there are clear disadvantages of this research method, for example interviews are time consuming – they are often lengthy and can require the interviewer to travel a long distance, accessibility is reduced when interviewees are geographically widespread (Bailey, 1982). As such, often it is only possible to interview a small sample (Bell, 1999). Additionally, data analysis can be very difficult and time consuming as interviews (with the exception of structured) have a tendency to produce non-standard responses. Interview studies can be extremely costly (Bailey, 1982), especially if informants are geographically dispersed (Denscombe, 1998). As a subjective technique there is a danger of interview bias (Bell, 1998). Lastly, they lack anonymity (Bailey, 1982). Keeping these in mind, attention is now turned to the current research study.

4.5 Interview Analysis

Unquestionably, data analysis is the most complex stage of qualitative research (Thorne, 2000). The most common approach to analyse interview findings or any qualitative data is to use a thematic analysis approach. With this approach, once all the data is collected, it is thoroughly analysed to identify patterns in the data, this is used to develop themes. This was the approach taken in this stage of research and the most important themes to emerge from the data are analysed in section 4.6.

Adopting a similar approach to Spence and Rutherfoord (2001), this stage of research involved a qualitative strategy of investigation based on semi-structured face to face interviews with fourteen firms operating in Ireland. This group of respondents represent both large firms (three of which are multinational firms) and SMEs operating in Ireland, in keeping with the argument that there exists an industry effect with regards CSR activities (Tschopp, 2005; Sweeney and Coughlan, 2008) this sample of firms span a wide variety of industries.

Access was obtained through a random sample of 35 firms generated from the Top 5000 Irish firms provided by FactFinder; each company was telephoned to identify the person responsible for CSR within the firm. This was inevitably the owner/manager in small firms and the CSR manager in large firms. An email was sent to each individual and resulted in fourteen respondents. In line with the argument made by Fontana and Frey (1994) that the researcher has a great deal of influence on what part of data will be reported and how it will be reported, an effort has been made to report the main findings of this research in a logical and coherent manner. The following table provides a brief description of the respondent firms.

Classification	Firm size	Sector	Person interviewed
A	SME	Restaurant	MD
B	Large	Pharmaceutical	CSR secretary
C	Large	Financial services	CSR Manager
D	SME	Oil and Gas	HR Manager
E	SME	Recruitment	Office manager
F	SME	Beverage distributor	PA to MD
G	Large	Electricity	CSR Manager
H	SME	Food distributor	MD
I	Large	Financial Services	CSR Manager
J	SME	Advertising Agency	MD
K	Large	Retail	CSR Manager
L	SME	Pharmaceutical	MD
M	Large	Oil and Gas	External Affairs team member
N	SME	Construction	Business Support Manager

Table 4.1: Interview Respondent Profile

4.6 Findings

The main findings from the interview stage of research are outlined. Firstly, the term CSR is analysed and the definitions of CSR provided by interview respondents. Attention then turns to the activities of CSR undertaken by respondent firms and the nature of CSR. Specifically in relation to SMEs the barriers experienced when conducting CSR and supply chain pressures experienced by this sector are reviewed, finally an industry specification in relation to CSR found in this research is discussed.

4.6.1 The Term CSR

In line with recent literature arguing that CSR is an issue of growing importance in both academia and business (Angelidis et al, 2008; Basu and Palazzo, 2008), this research found that respondents were familiar with and had knowledge of the term Corporate Social Responsibility. This is similar to the argument made by Whooley (2004) that CSR is not just the latest buzz word but represents serious business and can mean the difference in a company's long term success or failure. However, it must be kept in mind that this sample represents a group of firms agreeing to be interviewed on the topic of CSR, and as such may possibly represent a more enlightened group than the Irish sector in general.

It became apparent that not all respondents use the term CSR when referring to the topic and some felt that it may not be the most appropriate term to represent the activities and mindset behind the term. It is interesting to note that the word 'Responsibility' has been scrutinized by many authors; it has been argued that the word is too narrow and static to fully describe the social efforts and performance of business (Carroll, 1979). Alternatives such as Responsiveness (Ackerman and Bauer, 1976) or Performance (Watrick and Cochran, 1985) have been offered. This research highlighted that some large firms criticized the word 'Social', which it was felt unrealistically confines CSR to a firm's social responsibility. In contrast some SMEs felt the word 'Corporate' may alienate smaller organizations.

It was noted through this research that SME respondents described the term as 'grandiose', 'daunting' or 'confusing'. It was felt that the term is off-putting and sounds much more complicated than it is in reality. This is in line with recent literature arguing CSR may not be the most appropriate term for the SME sector (Schaper and Savery, 2004; Castka et al, 2004; Bessera and Miller, 2001). Some alternatives to CSR mentioned by this sample of firms include Corporate Responsibility, Corporate Citizenship or Sustainable Development. It is not surprising to find firms using different terms in practice, this is in line with recent literature arguing that there are many different terms being used to describe CSR (Amaeshi and Adi, 2005).

It was interesting to note that, while some firms are not comfortable using the term on a day to day basis it remains the preferred term in their published documents. For example Co K (large firm) argued that the firm regularly uses the term Corporate Responsibility but at the time of the interview the firm had advertised for a Corporate Social Responsibility manager, owing to the fact that this is what people are familiar with. This was also found to be the case in a study of twenty four SMEs in the UK conducted by Jenkins (2006). This, along with the fact that all respondents were aware of and had knowledge of the term indicates that the term CSR is appropriate for use in the survey.

4.6.2 Defining CSR

Once it was clear that respondents were familiar with the term CSR the next step was to discover how they define the term. The interviews reported a variety of definitions of CSR. It would appear to be true of the Irish sector that *'It means something, but not always the same thing, to everybody'* (Carroll, 1999).

In line with literature arguing CSR can be most practically explained by reference to stakeholder theory (Prado-Lorenzo et al, 2008; Agle and Mitchell, 2008), the firms involved in this research tended to define CSR by reference to their responsibility to a variety of stakeholders. Interestingly, Company K (large firm) argued that CSR is the same as Stakeholder management, ‘it use to be called stakeholder management, that was the kind of 1970s definition…CSR in the 1990s, maybe by the end of this decade somebody else will come up with a new term’. Company M (large firm) felt stakeholder theory makes CSR more practical to companies, arguing it bridges the gap between CSR theory and company practice. A similar study which involved sixteen semi-structured interviews with large firms operating in the UK also found that respondents made reference to stakeholder theory when defining CSR (Whitehouse, 2006).

SMEs tended to describe CSR quite vaguely as one conducting their business in a responsible manner. The wider community was often cited by this group of firms as an important stakeholder. Larger firms, by comparison describe CSR as responsibility to a wider range of stakeholders including customers, employees, the environment and community. This group of stakeholders were described by some large firm respondents as the four legs of CSR.

4.6.3 CSR Activities

The interviews highlighted that the volume of CSR activities positively correlated with firm size in an Irish context. However, it must be kept in mind that respondents were not given a list of activities from which to choose from and it is possible that SMEs found it difficult to articulate the activities of CSR that they are involved in. In line with recent literature (Perrini, 2006; Prinic, 2003) Co C (large firm) felt that SMEs may be involved in CSR activities and not call it CSR or may not even be aware of this. Providing support for this, when asked to describe some activities of CSR that the firm is involved in Co H (SME) failed to mention the recycling initiative that the firm is involved in, this issue only became apparent when discussing the cost of this program as a barrier for SMEs later in the interview. This is in line with findings from Roberts et al (2006: 280) study of SMEs in the UK in which it was reported that ‘SMEs are already managing a large number of social, economic and environmental impacts but do not generally use the language of CSR to define this'.

It is not surprising that when SME respondents were asked to describe some activities of CSR that the firm is involved in, community projects and environmental initiatives were given high prominence. Common activities included working free of charge for charities, making charitable donations and recycling initiatives. This is in line with literature on the topic (Worthington et al, 2006; Roche, 2002; Murillo and Lozano, 2006). Again keeping in line with the fact that larger firms defined CSR along the lines of the four legs of CSR, it was not surprising to find they describe their CSR activities by reference to their four main stakeholders; employees, community, customers and the environment. Popular activities include work/life balance and diversity policies (employees); charitable donations and scholarship programs (community); innovative products and enhanced accessibility (customers); waste management and using recycled material (environment).

Thus, this study reported similar findings to the study conducted by Business in the Community (BITC) (2005) which examined best practice in CSR in Ireland. The study involved fourteen firms and although only three of those companies also took part in the current study there exists a striking similarity with regard the CSR activities undertaken by both groups of firms. Not only did the volume and variety of CSR activities differ for large and small firms but there was evidence that large and small firms approach and manage CSR differently.

4.6.4 Nature of CSR

The management of CSR in larger firms was more formal and structured as opposed to SMEs in which CSR was described as an ad hoc issue, which was also found to be the case in Jenkins (2006) study of twenty four SMEs operating in the UK.

All large firms in this study had persons or departments/committees devoted to CSR, in contrast no SME had a person appointed to manage CSR. An interesting finding was the relatively recent formation of such departments/positions of CSR in larger firms. For example, in three firms the positions was less than two years old, the remaining large firms had CSR departments in operation for many years and all of these firms represent an Irish subsidiary of a large multinational corporation. This indicates that CSR is a relatively recent development in Ireland compared with other parts of the world. In line with this, it was apparent that CSR was more prominent in those multinationals than in the Irish indigenous firms. The responsibility of CSR in SMEs tended to rest with the owner/manager or another senior manager of the firm.

All firms agreed strongly that the interest and involvement of senior management is crucial to the successful implementation of CSR. According to Company N (SME) for example, 'it is vital' and Company J (SME) argued 'it wouldn't happen otherwise', providing an explanation, company E (SME) argued that 'if the CEO is interested in something it has a much greater chance of getting done and it motivates employees to get involved'. As was found in the UK (Quinn, 1997) there would appear to be a clear correlation between the views and interest of the owner manager/ managing director and the level of CSR undertaken by firms operating in the Irish sector, while this section of the research has merely provided an indication of this, the survey should provide more concrete findings in this regard.

4.6.5 Communication of CSR

Critics of CSR have argued that firms are using the concept as a PR tool. In line with the view by many respondents that CSR is all about reputation building, they also acknowledged that it is a simple reality that some firms will see CSR as an exploitation tool to increase firm attractiveness and sales. Although two SME respondents (Co D and E) did not believe CSR is used as a PR tool, this may indicate some naiveté on their part and also indicate a missed opportunity.

The general feeling among some other SME respondents was that many firms have taken the PR element of CSR too far and indeed CSR in many cases is merely another PR tool. This was also found to be the view of SMEs in Jenkins (2006) study of SMEs operating in the UK and is in line with some criticism of CSR (L'Etang, 1994; Clark, 2000; Frankental, 2001). According to Co L (SME) The Body Shop is an example of a firm that has taken the PR element of CSR to the extreme, the respondent described this like a pizza that looks good but when you go to taste it, it is awful. Another SME respondent who was on the board of Fair Trade explained how a well known socially irresponsible company developed a Fair Trade product and extensively advertised this fact so as to increase the social acceptance of the firm and thus increase sales of not only the Fair Trade product but the firms entire portfolio of brands, some representing products that are produced quite irresponsibly.

The general consensus among large firm respondents was that there was nothing wrong with firms communicating their good work once this did not extend to the level of exploitation. Large firms also argued that society as a whole is becoming more sophisticated and critical of firms and as such companies using CSR as a PR tool are unlikely to benefit from this over a long period of time. Company C argued 'I think people see through that, I don't think people are that gullible any more'. One respondent admitted that their firm initially seen CSR as a PR tool but the resulting poor publicity insured CSR became a main stream issue for the business and received due recognition and attention. This has indicated some support for Jenkins' (2003) and Prinic's (2003) argument that SMEs are motivated to undertake CSR from an ethical perspective whereas large firms are motivated by self interest. This may explain the acceptance by large firms that CSR is and should be used as a PR tool whereas SMEs are more critical of this argument. Thus, the motivation for CSR is an area for further analysis in the survey.

4.6.6 Barriers to CSR for SMEs

Literature (Thompson and Smith, 1991; Carlisle and Faulkner, 2004) has argued that SMEs are likely to experience a wide range of barriers including for example, a perception that CSR does not relate to SMEs and resource constraints such as financial, human and time. Large firms tended to agree with this and argued that small firms, in comparison to themselves may lack the resources such as finances, human resources or time to devote to CSR and this can act as a barrier preventing them from undertaking CSR. It was also mentioned from some large firm respondents that smaller firms may not feel CSR is an issue for smaller firms to concern themselves with and as such the main barrier may simply be a perception that there is no need for them to concern themselves with CSR

However, it was interesting to note that SMEs did not experience all of these barriers and cost was the only barrier cited by SMEs. This is in support of research that has studied CSR in SMEs and found that in reality the barriers thought to prevent SMEs from undertaking CSR are not present (Castka et al, 2004; Perez-Sanchez, 2003; Vives, 2006).

In relation to opportunities experienced by SMEs, agreeing with literature (Sarbutts, 2003; Perez-Sanchez, 2003) large firms and SMEs feel the opportunities experienced by SMEs in relation to CSR are (a) SMEs are closer to their stakeholders and can more easily build relationships and (b) small firms are considered more flexible and can quickly respond to stakeholder demands and implement stakeholder policies.

4.6.7 Supply-chain pressures for SMEs

Recent literature has argued that CSR, like so many business issues has become an area for the entire supply chain to manage. This is particularly important to SMEs that form part of a supply chain. The argument has been made that SMEs are experiencing pressures from larger firm supply chain partners to conduct their business in a more socially responsible manner (Hopkins, 2003) because the reputation of one firm in the supply chain can affect the whole supply chain and all its members (Kinnie et al, 1999). Of the sample of thirteen firms interviewed, six did not operate as part of a supply chain as they produced all products in-house and sold directly to end-user customers. All of the remaining respondents (eight) acknowledged that CSR is becoming a supply-chain issue and smaller firms are being encouraged to be more socially responsible to keep their standards up to the level of larger firm members. Four of these respondents had experience of CSR requirements from larger firm customers in their supply chain.

4.6.8 Industry

It was apparent that there was an industry effect in relation to CSR. Indeed most respondents felt that CSR activities are somewhat industry lead. For example, Co D (SME - Gas industry) and Co G (large firm - Electricity industry) felt that the most important area of CSR for them was safety because of the potentially dangerous nature of their product. Co M (large firm - Oil Industry) seen the local community and the environment as the firm’s most important stakeholders, this reflects on the environmental impact of their product and the ongoing tension between the local community and the firm. On the other hand Co C (large firm - Financial Services industry) explicitly stated that the environment was not a major stakeholder of the firm due to the fact that their service has little environmental impact.

Co A (SME - Restaurant industry) was the only respondent to mention Genetically Modified (GM) food as an area of CSR. A content analysis of the Annual and CSR Report of thirty FTSE4Good firms undertaken by the author indicated the presence of an industry specification with regard to the type and extent of CSR activities undertaken by firms and the communication of such activities (Sweeney and Coughlan, 2008). In line with this, Co K (large firm - Retail industry) viewed their customers as their most important stakeholder and Co C and I (Financial Services industry) viewed both employees and customers as their most important stakeholder. This indicates that an industry specialisation of CSR may be present in firms operating in Ireland. This section of research has merely provided an indication of this and has highlighted this as an issue for consideration in the survey.

4.7 Conclusion

This chapter described the semi-structured interview as a form of exploratory research used to gain some understanding of CSR in firms operating in Ireland to aid in the development of a survey. Interviews have been selected for their ability to provide depth of information (Birn, 2000; Denscombe, 1998). They provide rich (Birn, 2000) and comprehensive (Creswell, 1994) data. Interviews were carried out with fourteen firms in total of which eight were SMEs and six were classified as large firms.

The main findings from this research are as follows; firstly, all respondents have knowledge of the term CSR, however, not all respondents used the term CSR and others such as Corporate Citizenship, Corporate Responsibility and Sustainability were offered as alternatives. It was noted that some SMEs felt the word 'Corporate' alienates small firms and implies CSR is more complicated than it is in reality, while some large firm respondents felt the word 'Social' confined their CSR activities to those of a social nature. With regard to the management of CSR, all large firms interviewed had devoted persons or departments to CSR, while no SME had a separate CSR department, the management of CSR was assumed by senior management, in most cases the CEO. Thus, in line with literature on the topic (Perez-Sanchez, 2003;Jenkins, 2004), it was not surprising to note that CSR was more formal, strategic and integrated into all aspects of the business in large firms than in SMEs in which CSR was described as an informal, ad hoc issue.

While definitions of CSR differed from firm to firm, a commonality among them was that CSR was generally defined by reference to stakeholder theory, in that a firm is socially responsible if it takes into account the interests and needs of it's group of stakeholders, which were generally classified as employees, customers, shareholders, the environment and local community. This is in line with recent definitions of CSR (Pivato et al, 2008). CSR activities positively correlated with firm size. However, one must be cautioned to keep in mind the argument that SMEs can often undertake CSR and not call it so, indeed this study found support for this argument. Common activities for SMEs include charitable donation (community) and waste management (environment). Larger firms tended to describe their CSR activities under each main stakeholder group. Common activities include work life balance programs and diversity programs (employees); customer accessibility and innovative products (customers); waste management and use of recycled material (environment) and charitable donations and programs with local schools (community).

Literature highlighted that the majority of studies testing the relationship between CSR and financial performance found a positive relationship (Pava and Krasz, 1995; Orlitzky et al, 2003). In line with this, all interview respondents expressed a belief that the relationship between CSR and financial performance was positive. Respondents argued that CSR leads to enhanced firm reputation and increased customer attraction and loyalty, increased employee attraction, motivation and retention. This is in line with literature on the topic (Gatewood et al, 1993; Brammer et al, 2007; Lancaster, 2004). However, interview respondents did not mention the argument that CSR can attract investment, a business benefits noted in the literature (Mill, 2006). Again, in contrast to literature on the topic (Roberts and Dowling, 2004) interview respondents and in particular small firms felt environmental performance adds to the cost of doing business. These findings aid the development of the structural equation model designed to test the relationship between CSR and financial performance.

In line with current literature (Sweeney and Coughlan, 2008), the interviews highlighted some indication of an industry specification of CSR activities. Also, there was some indication of CSR criteria within supply chains. In relation to the argument that CSR is a mere PR tool, most interview respondents felt that firms can and do use CSR as a PR tool. It was interesting to note that most large firm respondents felt that this was perfectly acceptable and benefits both the firm and the recipient. However, SMEs were more sceptical and felt many firms are motivated to undertake CSR merely by its financial gain and as such CSR lacks any real substance.

In relation to the barriers and opportunities experienced by SMEs when undertaking CSR, large firm respondents, in line with literature (Ciliberti et al, 2008; Roberts et al, 2006) felt that SMEs in comparison to themselves may experience a host of barriers, including financial, human resources and time constraints as well as a perception that CSR is an area for large corporations only. While this is in line with literature on the topic, SMEs did not experience these barriers in reality and the only barrier was cost. Both large firm and SME respondents felt that SMEs are at an advantage when it comes to CSR because they are closer to their stakeholders and can more easily build relationships with them. Additionally, being smaller and potentially less bureaucratic, SMEs can more quickly respond to changing needs of stakeholders.

This section of research has provided some initial findings of CSR in Irish firm. More importantly it has identified important areas for further research in the next stage of research which have been highlighted throughout the chapter.

Chapter Five: Survey Research Methodology & Pilot Study

5.1 Introduction

The previous chapter described the methodology and findings of semi-structured interviews with fourteen firms operating in Ireland carried out in preparation for the main research method, the survey. Representing one of the most common research methods (Babbie, 2004), the survey method has been employed in the area of CSR for decades (Parket and Eilbirt, 1975; Aupperle et al, 1985; Dooley and Lerner, 1994; Hitchens et al, 2003; Gimez Leal et al, 2003; Gulyas, 2009; McGehee et al, 2009).

This chapter is outlined as follows; firstly, the mail survey is introduced and both the advantages and drawbacks of this method are outlined. One drawback that is of particular importance to this research is Social Desirability Bias, this is discussed and possible methods to overcome it are explored. Next, the development of the survey used in this research is outlined. The pilot test is also outlined along with the main findings from this test.

5.2 Mail Survey

Surveys are a very old research technique, Babbie (2004) reflecting on the Christian Bible notes that Jesus was born in Bethlehem because Joseph and Mary were travelling to Joseph's ancestral home for a Roman census. Today, the survey instrument has become a widely used and acknowledged research method worldwide. It consists of asking structured questions (Malhotra and Birks, 2000) of a (supposedly) representative cross section of the population at a single point in time (Bailey, 1982). The survey may be mailed to respondents, conducted over the phone, electronically or involve a face-to-face meeting with the respondent. The mailed survey is the most prominent type (Bryman, 1988). Birn (2000) argues that despite the growth in telephone research, mail surveys remain a very important data collection method in the UK, adding that it is a cost effective method and the method preferred by the general public.

5.2.1 Strengths and Weaknesses of Mail Survey

‘There is no better method of research than the sample survey process for determining, with a known level of accuracy, information about large populations’ (Rea and Parker, 1992: 4). A similar argument was later made by Babbie (2004).

The first advantage of a mail survey is cost (Proctor, 2003; Rea and Parker, 1992). The cost of a postal survey is often equal to a third of the cost of a telephone survey and an eighth of the cost of a field survey (Birn, 2000). Thus, they are a useful tool when the researcher has limited resources (Sanford and Hagedorn, 1981). Mail questionnaires are especially advantageous when the research sample is widely dispersed (Bryman, 1988; Sanford and Hagedorn, 1981; Bailey, 1982). They are completed at the respondent’s convenience (Rea and Parker, 1992); as such questionnaires can contain quite a lot of detail (Bryman, 1988). This is, however, dependent on the subject matter being of interest to the respondent (Proctor, 2003). The interviewer is absent from a mail survey, so too is interviewer bias (Bailey, 1982; Birn, 2000). Moreover, the absence of an interviewer means that one of the largest cost elements in the survey is eliminated (Proctor, 2003).

One can provide greater assurance of anonymity to respondents (Bailey, 1982; Rea and Parker, 1992) making this research method more appropriate for social issues. The lack of face to face interaction removes any reluctance to reveal personal habits and feelings (Proctor, 2003). Lastly, coding, analysis and interpretation of data are relatively simple (Malhotra and Birks, 2000).

However, there are also disadvantages to this method of data collection. While the absence of an interviewer eliminates bias it also eliminates the opportunity to aid respondents if they are having difficulty answering a question (Bryman, 1988; Birn, 2000), as such complex questions should be avoided (Bailey, 1982). The respondent may get tired while answering the questionnaire and give up; therefore survey length is an important consideration (Bryman, 1988; Sanford and Hagedorn, 1998). Also there is greater risk of missing data; partially answered questionnaires are more likely because of a lack of prompting or supervision (Bryman, 1988; Bailey, 1982). There is no control over who answers the questionnaire, when conducting a mail survey one cannot be sure if the right person answered the questionnaire (Bryman, 1988; Proctor, 2003). According to Lerner and Fryxell (1994) in a survey of CEOs and senior managers perhaps the greatest response bias is the possibility that someone other than the CEO may respond to the survey. Since the recipient of a postal questionnaire can see and examine all the questions before answering any, there is no control over the sequence in which the questions are answered (Proctor, 2003).

The method can suffer from low response rate (Bryman, 1988; Sanford and Hagedorn, 1998; Spence and Lozano, 2000; Rea and Parker, 1992). Bailey (1982) notes that mailed surveys sometimes receive a response rate as low as 10%. Spence and Lozano (2000) note that the subject matter of CSR is likely to lead to a low response rates. Additionally, it has been argued that lower response rates can be expected when the research includes SMEs (Spence and Lozano, 2000). Graafland et al (2003) for example, received a 5% response rate from small firms and 15% from large firms. According to Gimenez et al (2003) smaller firms are less likely than larger ones to answer surveys relating to sensitive information such as environmental performance.

However, the mail survey remains the most popular method when dealing with SMEs. An examination of Entrepreneurship Theory and Practice, the international Small Business Journal, the Journal of Business Venturing and the Journal of Small Business Management from 1991 to 2000 revealed that one in three published articles were based on a mail survey (Newby et al, 2003).

5.2.2 Social Desirability Bias

A significant problem with CSR research is Social Desirability Bias (SDB). This represents the tendency of individuals to present themselves favourably with respect to current social norms and standards (Zerbe and Paulhus, 1987). Considered to be one of the most common and pervasive sources of bias affecting the validity of survey research (King and Bruner, 2000; Sharfman, 1996), this is of particular importance to studies which involve self reports of socially sensitive issues (King and Bruner, 2000). Respondents may under report socially undesirable characteristics and over report socially desirable characteristics putting themselves in a more socially acceptable position (Myung-Soo, 2000). For example, Louie and Obermiller (2000) argue that people tend to overstate the amount of money they donate to charity. Ganster (1983) developed three models for the effects of SDB. Firstly, SDB can act as an unmeasured variable that produces spurious correlations between study variables. This could occur, for example, if SDB was correlated with both the independent and dependent variables of interest. An observed correlation between the independent and dependent variables might be due to their shared variance to SDB and not due to shared variance in the constructs.

Secondly, SDB can act as a superior variable that hides relationships. That is, a real correlation between independent and dependent variables may go undetected because of SDB contamination in one or both measures. Lastly, SDB can act as a moderator variable that conditions the relationship between two variables. To the extent that the SDB represents a source of influence which obscures measurement of the primary relationship under investigation, validity may be compromised (Malhotra, 1988). Accordingly, the possibility of SDB should be evaluated in all studies that include socially sensitive constructs (Myung-Soo, 2000).

SDB has not been adequately accounted for in ethical research. Randall and Gibson (1990) revealed that only one of ninety-six studies from 1960 to 1990 studying ethics through survey research attempted to assess the impact of SDB. According to Fisher

(2000) the most significant barrier to both testing and evaluating SDB effects is the complexity of the phenomenon. Zebre and Paulhus (1987) describe SDB as a multidimensional construct comprising of two components: self deception and impression management. Self deception refers to the unconscious tendency to see oneself in a favourable light. It is manifested in socially desirable, positively biased self descriptions that the individual actually believes to be true. In contrast, impression management represents conscious mispresentation of data, such as deliberately falsifying test responses to create a favourable impression (Zerbe and Paulhus, 1987). According to Zerbe and Paulhus (1987) self deception is a relatively invariant personality trait and thus should not be considered a contamination per se, whereas impression management is the culprit in confounding research data. Randall and Fernades (1991) found that self-reported ethical conduct was more closely reporting of desirable behaviours (impression management) than it is associated with an unconscious tendency (self deception).

Various methods have been employed in an attempt to eliminate SDB. Firstly, forced-choice items in which individuals are to choose between two items, both of equal degree of social desirability have been employed. The rationale is that, if both responses are seen to be equal in terms of social desirability, SDB is eliminated. However, for each individual there may be a difference in the desirability of each choice. In addition, forced choices are frequently unrealistic and can frustrate respondents which can lead to missing data and reduced response rates (Nederhof, 1985).

Nederhof (1985) has suggested that scale items may individually contain elements of social desirability and hence elicit a socially desirable response regardless of whether the respondent has a prevailing tendency to respond in such a fashion. In other words, the phrasing of a questionnaire item may cue subjects to the expectations of the researcher, creating a demand effect (King and Bruner, 2000). Avoidance of this may reduce SDB.

Previous research has convincingly demonstrated that observed levels of socially desirable responding vary with level of anonymity (Randall and Fernanches, 1991). The more anonymity, the less socially desirability responding is detected (Zerbe and Paulhus, 1987). Mail surveys contain more anonymity than telephone or face to face interviews and therefore less SDB (Nerderhof, 1985; Bryman, 1988).

It has also been argued that computer administration of questionnaires containing sensitive items may reduce SDB as it might offer greater anonymity and might be perceived as impersonal and non-judgemental (Martin and Nagao, 1989). Online questionnaires can control the respondent's ability to preview, review or skip items (Lautenschlager and Flaherty, 1989). Martin and Nagao (1989) assessing different data collection methods report that SDB is most prevalent in face to face interviews and least prevalent in computer administered questionnaires. However, Lautenschlager and Flaherty (1989) found greater levels of impression management in computer administered questionnaires rather than mail surveys. Each of these techniques has been employed in the current research study in order to minimise social desirability bias.

5.3 Questionnaire Development

The final stage of research involved a large scale questionnaire administered to a random sample of 1,300 firms operating in Ireland. The aim of the questionnaire is to develop greater knowledge of CSR in Ireland, specifically to meet the research objectives of this study. To recap, these include:

(1) Determine an operational meaning of the term Corporate Social Responsibility in an Irish context (differentiating between large firms and SMEs).
(2) Uncover the nature, type and extent of CSR in the Irish sector (differentiating between large firms and SMEs).
(3) Assess the link between CSR and financial performance.

The survey was developed through the support of theory and previous research on the topic, along with the findings of the interview stage of research. According to de Vaux (1993) questionnaire items come from many sources, some will come from previous questionnaires, while others will need to be developed for the particular study. This was found to be the case for this research.

5.3.1 Objective One

Determine an operational meaning of the term Corporate Social Responsibility in an Irish context (differentiating between large firms and SMEs).

To meet the first objective, the questionnaire will seek to uncover respondent's familiarity with the term CSR. It will also ask respondents to provide a definition of the term. Next the survey will seek to uncover attitudes toward the term and lastly, look at alternative terms used.

5.3.1.1 Familiarity with the Term CSR

It was noted in the interview analysis that all interview respondents were familiar with the term Corporate Social Responsibility. However, as previously highlighted, this represents a group agreeing to be interviewed on the topic of CSR and therefore may represent a more enlightened group than the Irish sector in general. The interviews also provided some indication that CSR may be a relatively new concept in Ireland. Thus, it is important to establish whether or not respondents are familiar with the term CSR. Not least of all because where a respondent is not familiar with CSR they cannot complete the questionnaire.

5.3.1.2 Defining the Term CSR

The literature review highlighted that there is a lack of consensus regarding the definition of CSR (Khanna, 2006; Ameshi and Adi, 2006). It has also been noted that research on CSR in Ireland has been quite scant (Hoven Stohs and Brannick, 1999; O'Dwyer et al, 2005). Therefore, this research sets out as one of its objectives to discover how CSR is understood by firms operating in the Irish sector. Thus respondents are asked to provide their own definition of CSR.

5.3.1.3 Describing the Term CSR

The term CSR has been described as ambiguous (Fisher, 2004), vague (Williamson et al, 2006), subjective (Frederick, 1986) and intangible (Cramer et al, 2004). In a study of SMEs, Jenkins (2004a) found that many were uncomfortable with the term and describe it along the lines of being 'jargon', 'abstract' or 'academic'. There was some support for this found in the interviews. The survey will seek to provide a greater understanding of how firms operating in Ireland describe the term and if there is a difference in how large and small firms describe the term. While literature has generally criticized the term CSR (Murillo and Lozano, 2006; Castka et al, 2004; Moore and Spence, 2006) for this research positive descriptions have been included to balance the question.

5.3.1.4 Preferred Term

The literature has grappled with the term Corporate Social Responsibility. In particular some writers have shown reservations with the word Responsibility arguing it may be too narrow and static to fully describe the activities of the firm (Carroll, 1979). Alternatives such as Responsiveness (Ackerman and Bauer, 1976) or Performance (Watrick and Cochran, 1985) have been offered. Additionally, the literature has argued that SMEs may feel uncomfortable with the word Corporate (Jenkins, 2004a) as it implies a corporation of a certain size (Schaper and Savery, 2004). There was some evidence of this in the interviews. Furthermore, the interviews highlighted that some large firms feel that the word Social may unrealistically confine CSR to the social activities of the firm such as charitable donations.

While much of the recent literature on the topic uses the term Corporate Social Responsibility (Becker-Olsen, 2006; Jones, 2005; Whitehouse, 2006), other writers use alternatives such as Corporate Citizenship (Maignan and Ferrell, 2001; Carroll, 1998; Hemphill, 2004) Corporate Social Performance (Orlitzky, 2001; Rowley and Berman, 2000) Social and Environmental Performance (Orlitzky, 2005) Corporate Social Responsiveness (Sturdivant and Ginter, 1977) Social Responsibility (Davis, 1976; Robin and Reidenbch, 1987; Fisher, 2004) Sustainability (Keeble et al, 2003; Marrewijk and Werre, 2003) Corporate Responsibility (Swift and Zadek, 2002). Respondents are asked to provide an alternative term to CSR if the term CSR is not used by the firm.

5.3.2 Objective Two

Uncover the nature, type and extent of CSR in the Irish sector (differentiating between large firms and SMEs).

The second objective focuses on the nature of CSR in firms operating in Ireland. This will seek to evaluate the extent to which firms believe themselves to be socially responsible, the extent to which CSR is carried out on a regular basis and the extent to which CSR is linked to the strategy of the firm. It will also seek to uncover the motivations behind CSR, the management of CSR and the extent and type of CSR communication undertaken by firms operating in Ireland. Specifically relevant to SMEs, the barriers experienced when undertaking CSR are reviewed. Focus then turns to the type and extent of CSR undertaken by firms operating in Ireland.

5.3.2.1 Extent of Social Responsibility

To analyse the extent of CSR in Ireland, respondents are first asked how they would describe the level of CSR undertaken by the firm. A similar question was used in a study of CSR conducted by the European Commission (2005).

5.3.2.2 Strategic Nature of CSR

It has been argued that CSR is more strategically approached in large firms than in SMEs in which CSR activities are largely unrelated to strategy and conducted on an ad-hoc basis (Jenkins, 2004a; Schaper and Savery, 2004). Studies pointing to this argument tend to have been conducted in the US or UK, this research will test this argument in an Irish context.

5.3.2.3 Motivation for CSR

According to Curran (2005), the main motivational factors include profit, image and reputation, altruism, consumer demand, government policy and economic climate. Focusing attention on firms operating in the UK, Moir and Taffler (2004) found that firms were involved in charitable donations for self interest and there was very little indication of pure altruism. Additionally, Jenkins (2003), Prinic (2003) and Vives (2006) argue that SMEs are motivated to conduct CSR from an ethical point of view whereas large firms are motivated by enhanced profitability. Thus, this section will seek to discover the main motivational factors of firms operating in the Irish sector and to test whether or not there is a difference in the motivation factors for large and small firms. The question used in this research has been adopted from research conducted by the European Commission (2002) and Ashridge (2005).

5.3.2.4 CSR in SMEs

There exists a debate in the literature as to whether CSR is relevant to SMEs. It has been argued that all organisations have an impact on society (Tilley, 2000) and as such CSR is an important issue for small companies (Roche, 2002). However, the majority of research in the area of CSR has focused on large firms (Perrini and Minoja, 2008; Burton and Goldsby, 2009). The argument that CSR is only relevant to large corporations lies in the belief that large firms have a greater impact on society because they employ more people, have more products, consume more resources and dispense more waste (Carlisle and Faulkner, 2004; Lerner and Fryxell, 1994). Additionally, large corporations have greater publicity which generates interest in this sectors social behaviour (Graafland et al, 2003). As such it has been deemed appropriate to assess whether or not SMEs in this sector feel CSR is relevant to them.

Recent literature has argued that SMEs experience barriers to conducting CSR such as time and financial constraints (Sarbutts, 2003; Prinic, 2003; Vives, 2006). In addition, the interviews highlighted that SMEs may experience human resources limitations and a perception that CSR is not appropriate for SMEs. A similar question was asked in a study by the European Commission (2002). The question has been modified to ask respondents to indicate the strength of the individual barrier.

5.3.2.5 Management of CSR

In line with the argument that CSR is more formal and organised in large firms (Graafland et al, 2003; Castka et al, 2004), it was discovered from the interviews that large firm respondents tended to have a manager or department devoted to CSR, whereas in SMEs it was managed by senior management (usually the owner/ manager). To assess this on a larger scale this survey will ask respondents to specify the person responsible for the management of their CSR activities. A similar question to the one used in this research was used in the TNS Gallup (2005) research.

Additionally, the interviews indicated that the appointment of a manager or department to the management of CSR was a relatively new concept in the large firm Irish indigenous firms as appose to those firms acting as an Irish subsidiary to a multinational organisation. This may indicate that CSR is a relatively new concept in Ireland. To analyse this firms are asked to indicate the length of time their CSR department/ manager is in place.

It has been argued that the involvement of senior management is vitally important to the successful implementation of a CSR program (Lerner and Fryxell, 1994; Vives, 2006; Quinn, 1997). All interview respondents (a group that could possibly represent those more actively involved in CSR than the Irish sector in general) argued that senior management was actively involved in the CSR activities of the firm and all respondents felt their involvement was essential to successful implementation. To develop this point further, respondents will be asked of the level of involvement of senior management in the firm and their views of the importance of this. The level of involvement of senior management will then be compared to the extent of the firm's CSR.

5.3.2.6 Corporate Social Disclosure

It has been argued that social disclosure in Ireland is relatively low compared to other European countries (O'Dwyer, 2003). Additionally, it has been argued that SMEs are less likely than large firms to communicate their CSR efforts. The aim of this section is to uncover the extent and type of CSR communication in the Irish sector. Similar questions were used in a survey conducted by Hopkins (2003) and TNS Gallup (2005).

In relation to objective three, the measurement of CSR and financial performance are analysed in chapter seven.

5.4 Pre Test Study

As recommended by Netemeyer et al (2003) once the questionnaire was developed in reflection of the current literature in the area it was peer reviewed by academic colleagues and supervisors who have undergone the process of survey development and anlayis previously. This was carried out to ensure clarity was obtained and ensure all relevant and no irrelevant questions are included in the survey. The feedback received was used to redraft the survey, which was then tested with a sample of respondents before final administration of the survey.

5.5 Pilot Study

"Questionnaires do not emerge fully-fledged; they have to be created or adapted, fashioned and developed to maturity after many test flights. In fact, every aspect of a survey has to be tried out beforehand to make sure that it works as intended"

(Oppenheum, 1999: 47).

Once a questionnaire has been developed, each question and the questionnaire as a whole must be evaluated rigorously before final administration (Saunders et al, 1997; Hussey and Hussey, 1997). Evaluating the questionnaire is called pilot testing or pre-testing (de Vaus, 1993). A pilot test is essentially a small scale replica of the actual survey and it is carried out before the actual survey is undertaken.

According to Bell (1999: 128) 'however pressed for time you are, do your best to give the questionnaire a trial run'. Oppenheum (1999) states that studies which have been inadequately piloted or not piloted at all will find that a great deal of effort has been wasted on unintelligible questions producing unquantifiable responses and uninterruptable results. According to de Vaus (1993) even those questions that were used in previous questionnaires should be tested to ensure they 'work' in the context of the current study.

The test pilot should duplicate as near as possible the actual questionnaire. According to Hussey and Hussey (1997) at very least one should have friends or colleagues read over a questionnaire before it is administered. However it is best to test pilot the questionnaire on respondents which are as similar as possible to those in the main enquiry (Oppenheum, 1999; de Vaus, 1993).

The number of respondents involved in the pilot should be sufficient to include any major variations in the population that are likely to affect responses (Saunders et al, 1997). While de Vaus (1993) argues that it is important to pre-test as many people as possible because too few respondents may result in problems such as non-response remain undetected. He also acknowledges that it is often impossible to test pilot a large number of respondents. The size of the pilot study is often dependent on the time and financial resources available to the study (Saunders et al, 1997). According to Saunders et al (1997) for most questionnaires there should be a minimum of ten respondents.

A review of the literature (de Vaus, 1993; Oppenheum, 1999; Saunders et al, 1997) reveals the following as the main contributions made by a pilot study.

1. Provide an indication of the response rate to be expected of the final study.
2. Test for questions with a very low response rate. This may indicate that the question is unclear, too intrusive, appear to have nothing to do with the stated objective of the study or appear too similar to previously answered questions.
3. Test the efficiency of instructions within the questionnaire.
4. Provide an indication of the probable cost and duration of the main survey.
5. Allows for an evaluation of how respondents understood the questions meaning.
6. Checks whether the range of responses to each question is adequate.
7. Test if filter questions are correctly understood by respondents.
8. Test the coding of questions, especially open ended questions and ‘other’ responses to closed questions.
9. Test for duplicate questions, for example if two questions are measuring virtually the same thing one should be deleted.
10. The most valuable function of the pilot is to test the adequacy of the questionnaire.

While the pilot study is unlikely to highlight all problems of the main survey, it should result in important improvements to the questionnaire and may influence the scope and perhaps necessity of the main survey.

5.5.1 Current Pilot Study

A pilot study of the questionnaire was undertaken in February 2007. In addition to those firms that were interviewed previously, a sample of fifty firms was taken from the FactFinder Database of the Top 5000 Companies in Ireland. 24 large firms and 26 SMEs from a wide range of industries were included in the pilot.

Each firm was telephoned to identify the most appropriate person to send the survey to. This was invariably a CSR Manager (or equivalent), Human Resource (HR) Manager or the Managing Director. Their email addresses were requested, this was provided for 18 large firms and 22 SMEs. An email was sent to each individual explaining the study and seeking their participation in answering the questionnaire, for which a link was attached in the email. Where email addresses were declined (5 large firms and 5 SMEs) the survey was sent by post. This included a cover letter explaining the study and seeking their participation in answering the survey. The survey was included in printed form and a stamped addressed envelope was also included. Respondents were also informed in the letter that they have the option of completing the survey online and a link was included in the letter.

Following the advice of Oppenheum (1999), each respondent was informed that this was a pilot study and were encouraged to provide feedback on any problems that they experienced while completing the survey, as recommended by de Vaus (1993).

5.5.2 Aim of Pilot Study

In line with literature on the topic (de Vaus, 1993; Oppenheum, 1999; Saunders et al, 1997) the aims of this pilot study are as follows:

1. Test the adequacy of questionnaire.
2. Check if the range of responses provided in questions are adequate.
3. Check if questions are understood correctly by respondents.
4. Check for the presence of duplicate questions, which may allow for some questions to be removed and thus shorten the questionnaire.
5. Provide an indication of the expected response rate of the study.
6. Provide an indication of the probable cost and duration of the study.

5.5.3 Findings from Pilot Study

The following section outlines the results of the test pilot and the implications of these results on the final survey. The response rate from the pilot test is discussed. Then an analysis of completed questionnaires highlights certain issues within the survey, including questions with a low response rate, questions containing response bias, inadequate response options and duplicate questions.

5.5.3.1 Response Rate

In total the pilot test recovered a response rate of twenty eight percent (twenty six percent by e mail and thirty six percent by post). While the response rate seems quite low, it is what one would expect in a survey of this nature. Many authors have argued that postal surveys suffer from low response rates (Bryman, 1988; Sanford and Hagedorn, 1998; Spence and Lozano, 2000; Rea and Parker, 1992), possibly as low as 10% (Bailey, 1982). Spence and Lozano (2000) note that the subject matter of CSR is likely to lead to a low response rates. Additionally, it has been argued that lower response rates can be expected when the research includes SMEs (Graafland et al, 2003; Spence and Lozano, 2000; Gimenez et al, 2003).

A response rate of 20-25% can be expected for the final survey. The study aims to receive 300 completed questionnaires to ensure an adequate analysis of all research questions and conduct structural equation modelling. Thus, 1,200 - 1,500 questionnaires should be sent by email and post.

5.5.3.2 Issues arising with regard survey questions

The follows issues have been noted through an analysis of the pilot questionnaires:
- Questions with a low response rate
- Duplicate questions
- Incorrect range of responses
- Questions with possible response bias
- Misunderstood questions

5.5.3.2.1 Questions with a Low Response Rate

Questions relating to financial performance proved to be the most problematic with regard to low response rates. Questionnaire feedback indicates that this is the case because the information was deemed confidential and/or the respondent did not have the necessary information. A review of the situation lead to the conclusion that it is not necessary to obtain actual sales and profit figures to measure sales and profit performance. The questions involved have been replaced with less intrusive questions which do not require respondents to provide actual sales and profit figures but indicate how profit and sales performance in 2006 related to that of the previous year.

Additionally, it was deemed more appropriate to move financial performance questions nearer the end of the questionnaire. It was clear from the pilot study that some respondents found these questions difficult to answer and somewhat intrusive and were a little reluctant to answer some later questions as a result.

Low response rates were also experienced by certain questions under the headings of Employee Attraction, Motivation and Retention and Customer Attraction and Loyalty. Difficult questions have been replaced with multiple choice questions, which it is hoped will appear easier and less intrusive to respondents.

Seven respondents failed to indicate the number of employees within their firm. This is a vital question for the study. It is possible that respondents do not know the exact number of employees. To aid respondents in answering this question response options are provided, taken from the European Union definition of an SME.

5.5.3.2.2 Duplicate Questions

During the analysis of completed questionnaires it became clear that respondents answered questions in relation to the impact of CSR on firm's reputation (a) in general, (b) as held by customers, (c) as held by employees and (d) as held by other players in their industry in a similar manner. To eliminate this duplication and thus reduce the volume and complexity of the survey, only the first question is deemed necessary, i.e. to rate the impact of CSR on the firm's reputation in general. Thus, the other questions were deleted from the final questionnaire.

5.5.3.2.3 Incorrect Range of Responses

At an early stage in the survey respondents were asked to indicate words they would use to describe the term Corporate Social Responsibility. Two options received particularly low response rates (Ambiguous and Objective). Taking into account additional comments provided by respondents these words have been replaced with (a) Unclear meaning and (b) Firm specific.

5.5.3.2.4 Response Bias

Questions relating to CSR activities received high ratings. This may represent response bias, in that firms wish to make themselves appear more customer focused than they are in reality, however the survey was anonymous which should reduce the tendency for response bias. Additionally, it is expected that most firms would focus attention on customers, not only from a CSR point of view but from a competitive point of view. These questions were not altered for the final survey.

Questions in relation to CSR activities focused toward shareholders received a low response rate and indicated a response bias. Considering that many Irish firms, in particular SMEs do not have shareholders and, as highlighted by one respondent, firms quoted on the stock exchange have their relationship with shareholders largely governed by law. All of these arguments reduce the relevance of this section in the survey. Thus, following a similar approach to Graafland and van de Ven (2006) shareholders have been eliminated from the survey and thus from the measure of CSR. Indeed many studies have failed to include shareholders as a dimension of CSR (for example, Kawamura, 2003; Wulfson, 2001).

5.5.3.2.5 Misunderstood Questions

After each section of CSR activities respondents are asked to include any additional activities relating to that specific stakeholder. In some cases activities relating to other stakeholders are mentioned, to overcome this, the stakeholder to which the activities relate to is shown in bold.

5.6 Administration of Final Questionnaire

After adjusting the first draft of the questionnaire following the pilot study, the final questionnaire was administered in December 2007. Again, the FactFinder database of the Top 5000 Companies in Ireland was used. Excluding those contacted previously in relation to the pilot study or interview stage of research, every second firm was contacted to uncover the most appropriate person to respond to the questionnaire. Respondent firms were asked whether they would prefer to be sent a hard copy of the survey by post or to be sent an email with a link to the online survey attached (see cover letter in appendix 5a). A self addressed envelope was included with all postal surveys. In total 1,300 surveys were administered, 500 by post and 800 by email. See Appendix 5b for the final research survey.

A total of 290 surveys were returned (169 online and 121 postal) giving an initial response rate of 22.3%. However, 68 surveys were deemed unusable as respondents failed to complete a large proportion of the survey. Thus, an overall response rate of 17% or 222 useable surveys were obtained. This is in line with recommended sample size for structural equation modeling analysis. For example, Guadagnoli and Velicer (1998) recommend at least 150 respondents and Kelloway (1998) recommends at least 200.

5.7 Conclusion

This chapter introduced the mail survey as the main research method for this research. This research method has been employed in the area of CSR for decades (Parket and Eilbirt, 1975; Aupperle et al, 1985; Dooley and Lerner, 1994; McGehee et al, 2009). There are many advantages to this research method, firstly it is very cost efficient, according to Birn (2000) the cost of postal questionnaire can equal one eighth of the cost of a telephone survey. This method can reach a widely dispersed group of respondents quite easily (Bailey, 1982). One can provide greater assurance of anonymity to respondent that with other research methods (Rea and Parker, 1992).

This chapter also outlined the development of the survey and explained how each section (and questions within each section) has been developed from theory and previous research in the area and also how each section is relevant from the point of view of subsequent analysis. Once developed, the questionnaire was pretested among a number of colleagues and research supervisors. In line with recommendations from Saunders et al (1997) and Hussey and Hussey (1997) a pilot study was then carried out to test the questionnaire. The findings from the pilot study are outlined and their implications on the questionnaire. Finally, this chapter outlined full administration of the final drafted questionnaire. 1,300 firms were randomly selected from the FactFinder Database of the Top 5000 Companies in Ireland. The sample included both large firms and SMEs, spanning a wide variety of industries. 500 surveys were sent by post and 800 were sent by email. The next chapter outlines the main findings from this research.

Chapter Six: Questionnaire Findings

6.1 Introduction

While many authors have recognised CSR as a topic of growing importance in Ireland (Hoven Stoh and Brannick, 1999; O'Dwyer, 2003) there remains a lack of research concerning CSR in Ireland (O'Dwyer et al, 2005). This is also the case with regard to research on CSR in SMEs in an international context (Perrini and Minoja, 2008; Burton and Goldsby, 2009). This chapter outlines the initial findings of the questionnaire analysis. Background information on the respondents and their firms is provided. Findings are then analysed under each objective.

The first objective is to *Determine an operational meaning of the term Corporate Social Responsibility in an Irish context (differentiating between large and small firms).* Respondent's familiarity with the term CSR is first analysed. Attention then turns to their definition of the term, their attitude toward the term and any other terms used in place of CSR.

The second objective is to *Uncover the nature, type and extent of CSR in the Irish sector (differentiating between large and small firms)*. In relation to the nature of CSR, the extent to which CSR is conducted on a regular basis and linked to the firm's strategy is analysed. The management of, communication of and motivation for CSR is then analysed. Focus then turns to SMEs and in particular, the barriers experienced by SMEs when undertaking CSR. In relation to the activities of CSR, the type and extent of activities falling under the headings of the main stakeholder groups, namely; the environment, customers, employees and the community are analysed.

The third objective is to *Assess the link between CSR and financial performance.* While this is analysed in more detail in chapter eight, here respondent's attitude to the relationship between CSR and financial performance is assessed.

6.2 Respondents

This section provides background information on the respondents of the questionnaire. Respondents will first be analyzed by company information. Secondly the questionnaires will be analyzed with regard to respondent information. This information will be used again in further analysis within the chapter.

6.2.1 Respondent Firms

This section introduces the respondents of the questionnaire. In particular, background information is provided regarding the company of the respondent, including the firm size, industry and whether the firm is an Irish indigenous firm or an Irish subsidiary of a multinational firm.

6.2.1.1 Firm Size

As outlined in the objectives, this research aims to gain an understanding of CSR in firms operating in Ireland, both large firms and SMEs. This research goes some way toward filling the gap in relation to CSR in SMEs (Perrini and Minoja, 2008; Burton and Goldsby, 2009). To establish firm size, respondents were asked to indicate the number of employees within the organisation from a list of five options which represent the European Union definition of an SME (European Commission, 2002).

Table 6.1 Respondent Firm Size

Employees	***Percentage***
less than 10	3.7%
10 - 50	26.3%
51 - 250	40.5%
251 - 500	11.1%
more than 500	18.4%

As indicated in table 6.1 the largest segment within this sample represent those firms with 51 – 250 firms, (medium sized firms), these represent 40.5% of the sample. There are very few firms with less than ten employees (micro firms); however, in many studies small firms are classified as those with less than fifty employees. When these two groups are combined, they represent 30% of the sample. Large firms are made up of the final two groups, those with between two hundred and fifty one and five hundred employees which represent 11.1% of the sample and those firms with more than five hundred employees which accounts for 18.4% of the sample. Taken together, large firms make up 29.5% of the sample. Thus, the sample is quite evenly broken down into small, medium and large organizations.

6.2.1.2 Industry

A second important piece of information relates to the industry of respondents. Previous research has found that the type and extent of CSR activities was related to the industry of the firm (Sweeney and Coughlan, 2008). Industry has also been highlighted as a control factor when assessing the relationship between CSR and financial performance (Tschopp, 2005).

Table 6.2 Respondent Industry

Industry	***Percentage***
IT, Legal & Consulting	29.2%
Manufacturing & Waste Management	20.0%
Construction & Transportation	17.8%
Finance	10.8%
Marketing	8.6%
Retail	7.0%
Healthcare	6.5%

As illustrated from table 6.2, the sample represents a variety of different industries. Some industries have been combined either because their activities are quite similar and/or there were very few respondents in the industry to allow for comprehensive analysis. Within the remainder of the chapter many variables are cross tabulated with industry, when this is done the industries have been simplified into three groups to allow for statistical analysis. Group A includes IT, Legal & Consulting and Marketing. Group B includes Manufacturing & Waste Management and Construction & Transportation. Group C includes Retail; Finance and Healthcare.

6.2.1.3 Irish Indigenous / Irish Subsidiary

The interviews highlighted some differences between Irish indigenous firms and Irish subsidiaries of multinational firms. To analyse this further in the survey, respondents were asked to select whether their firm was an Irish indigenous firm or an Irish subsidiary to a multinational firm. There was found to be considerably more Irish indigenous firms (64.6%) than Irish subsidiaries (35.4%).

6.2.2 Respondents

It has been argued that personal characteristics of those responsible for CSR have a significant influence over the CSR activities within an organization. In particular the educational achievement (Schaper and Savery, 2004) and residence within the community (Bessera and Miller, 2001) of those responsible for CSR are believed to impact the extent of CSR within an organization. To test this in an Irish context, the following section provides personal information obtained from respondents, including their age, gender, education and whether or not they live in the same location as the organization.

6.2.2.1 Respondent Age & Gender

The youngest respondent was aged 24 and the eldest 65. The mean age was 42.26 with a standard deviation of 9.785. Male respondents represent 59.1% of respondents and female respondents 40.9%. There was no significant difference noted with regard to gender of respondent and their familiarity with CSR, the extent to which they believe their firm to be socially responsible, the extent to which CSR is undertaken on a regular basis or linked to strategy or the motivation for undertaking CSR. All chi square results indicate non significant relationships. This is in line with Schaper and Savery (2004) who failed to find a connection between owner/manager age and gender and their CSR activities.

6.2.2.2 Education of Respondent

Table 6.3 analyses the highest level of educational achievement obtained by respondents.

Table 6.3 Respondent Education

Education	*Percentage*
Degree	51.1%
Masters/ Post Grad/ PhD	30.8%
Professional Qualification	10.8%
Second Level	8.1%

Bessera and Miller (2001) found owner/managers with higher educational achievement reported higher levels of community involvement. Schaper and Savery (2004) found that level of education significantly affected owner/manger's propensity to donate to charity. Some similar findings were noted in this study. For example, 54.3% of firms in which respondent received a degree and 58.9% of firms in which the respondent received a masters/ post grad or PhD donate to charity to a large extent or quite a large extent, in comparison to 28.6% of firms in which respondents highest level of education obtained is second level education. However, the ANOVA test result in appendix 6a indicates a non-significant relationship.

No firms in which the respondent obtained second level education indicated employee involvement in volunteer work on behalf of the firm to a great or quite a great extent, in comparison to 35% of firms in which the respondent received a professional qualification, 35.8% of firms in which the respondent received a degree and 41.1% of firms in which respondent received a masters/ post grad or PhD. The ANOVA test result of P = .046 indicates a statistically significant relationship.

Only 7.1% of firms in which the respondent obtained second level education indicated involvement in projects with the local community to a great or quite a great extent. This is in contrast to 33.7% of firms in which the respondent received a degree and 39.3% of firms in which the respondent received a masters/ post grad or PhD %. However, the ANOVA test results of P = .128 indicates a non-significant relationship.

There are no major differences noted in relation to the extent to which the firms have purchasing policies or recruitment policies in place in favour of the local community and educational achievements of respondent. This is illustrated by the non-significant ANOVA test results for these activities.

6.2.2.3 Locality of Respondent

68.7% of respondents live in the same locality as their organisation and 31.3% do not. Focusing on SMEs, Bessera and Miller (2001) found evidence to support their hypothesis that firms with the highest level of community involvement have owner/managers with longer length of residence in the community in which their firm is situated. In relation to community involvement and residence in the local community of respondents, there was some indication that those living within the community of the firm are slightly more involved in activities to benefit the local community than those living outside of the community. For example, 55.4% of respondents living in the community of the firm claim their firm donate to charity to a large extent or quite a large extent, in comparison to 50% of respondents not living in the locality of the firm.

35.1% of respondents living in the locality of their firm claim that their firm is involved in projects within the local community to a large extent or quite a large extent compared to 30% of those not living within the same community as their firm. In relation to recruitment policies and purchasing policies that favour the local community, 42% and 42.6% of those living in the local area in which the firm is located are involved in such policies to a large or quite a large extent, compared to 37.3% and 40.4% of those living in the same locality as the firm. The ANOVA test indicates all relationships are non-significant. See appendix 6b.

6.3 Objective One

Determine an operational meaning of the term Corporate Social Responsibility in an Irish context (differentiating between large and small firms).

The findings of the questionnaire will be analysed in relation to each objective. The first objective of this research is to determine an operational meaning of the term CSR to firms operating in Ireland. This section analyses respondent's familiarity with the term

CSR and reviews the definitions of CSR provided by respondents seeking to uncover commonality. The section then analyses respondent's opinion toward the term CSR and identifies other terms used by respondents when referring to the firm's social and environmental activities.

6.3.1 Familiarity with Term CSR

To begin gaining an understanding of CSR in firms operating in Ireland, the first question of the survey aimed to identify respondent's familiarity with the term CSR. The great majority of respondents were familiar with the term, as table 6.4 illustrates, 87.6% of respondents answered yes to the question 'Are you familiar with the term Corporate Social Responsibility?'

Table 6.4 Respondents Familiarity with Term CSR & Firm Size Crosstabulation

		number of employees			**Total**
		less than 50	50 - 250	more than 250	
Respondents familiarity with term CSR	yes	82.0%	88.2%	92.9%	**87.6%**
	no	18.0%	11.8%	7.1%	**12.4%**

Chi-Square Test Results

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.220(a)	2	**.200**
Likelihood Ratio	3.263	2	.196
Linear-by-Linear Association	3.158	1	.076
N of Valid Cases	193		

This is in line with recent literature arguing that CSR is an issue of growing importance in business (Basu and Palazzo, 2008; Angelidis et al, 2008) and in particular, in Ireland (Whooley, 2004). However, it must be noted, as was the case with the interview analysis, these findings represent those respondents that were willing to participate in a questionnaire on the topic of CSR and as such may represent a more enlightened group than the Irish sector in general. In addition, 68 surveys were disregarded as unusable because respondents completed only a small amount of the questionnaire, the majority of these indicated that they were unfamiliar with the term CSR.

Many authors argue that CSR is an important concept in firms of all sizes (Burton and Goldsby, 2009; Moore and Spence, 2006). While table 6.4 indicates that familiarity with the term is more common in larger organisations than in smaller ones, the chi square test results indicate the difference is not significant. The next section moves on from familiarity with the term to an analysis of the definitions of CSR provided by respondents.

6.3.2 Defining the Term CSR

It has been well documented in the literature that one of the factors contributing to the ambiguity of CSR is the lack of consensus as to what the concept really means (Carroll, 1979; Perrini, 2006; Panapanaan et al, 2003).

In line with literature on the topic (Roberts et al, 2002; Amaeshi and Adi, 2005), there does not appear to be a universally accepted definition of CSR among firms operating in Ireland. An abundance of definitions were provided by respondents of the survey. Of the 222 usable questionnaires, 198 (89%) respondents provided a definition of CSR. Most definitions viewed CSR as a firm going beyond its financial and legal obligations to make a positive contribution to its stakeholders.

Similar to early academic definitions of CSR (for example, McGuire, 1963; Bowen, 1953) some definitions were quite vague and failed to identify the specific stakeholder that the firm is responsible to. For example, one respondent defined CSR as “companies who consider a wider aspect of responsibility than only their shareholders”. Another argued CSR is where a “company will behave ethically and not just think of profit or bottom line”.

Others provided a more precise definition of CSR, of these, most defined CSR in connection to Stakeholder theory. This is in line with recent definitions of CSR (Wang, 2008; Vaaland et al, 2008) and was found to be the case in the interview findings (Sweeney, 2007). The most cited stakeholder was the wider community. This was particularly common in smaller organisations, which is in line with literature arguing that SMEs are often active members of their communities (Jenkins, 2004a; Roberts et al, 2006). "Responsibility of companies to contribute to society in general and their local community in particular", "Awareness and response to the greater community good", "Responsibility to the local community". The environment was also included as an important stakeholder by many respondents; "[CSR] is the responsibility that a company has to look after the community and environment in which it operates", "Reducing your impact on the environment and helping local communities".

Some respondents (which tended to include larger organisations) defined CSR as a responsibility to all stakeholders of the organisation; "CSR is a concept that organisations have an obligation and responsibility to consider the interests of all its stakeholders, i.e. employees, shareholders, customers, suppliers, and indeed the local communities. I believe that CSR extends beyond the normal legislation and it is very important for a company's reputation to be socially responsible", "A company's global responsibility to all its stakeholders (shareholders, customers, suppliers, employees, environment and local community)", "CSR is about business management, operated under social, environmental and ethical considerations as well as driven by the bottom line. In short: Corporate social responsibility is about stakeholder engagement. Business efficiency in terms of costs and resource allocation. Competitive advantage and differentiation, managing risk and reputation and it's about business accountability, openness and transparency. Corporate responsibility is about the long term sustainability of the business and the firms impact negatively or positively on the stakeholders groups that it engages with or is involved with".

An industry specification was noted in relation to defining the term CSR. For example, most firms within the Construction & Transportation sector defined CSR by reference to the local community and the environment to a slightly lesser extent. The environment was frequently referenced in definitions provided by firms in the Manufacturing & Waste Management sector. Employees were more commonly noted by firms in the Finance sector while customers were included in many definitions provided by firms in the Retail & Wholesale sector. Those firms operating in the Healthcare sector took a broader all encompassing stakeholder view of the term CSR. This is in line with literature on the topic (Cooper et al, 2001; Carlisle and Faulkner, 2004; Sweeney and Coughlan, 2008).

6.3.3 Other Terms

There are many terms used to describe social responsibility within organizations. Alternative terms provided in literature include 'Social Responsibility' (Parket and Eilbirt, 1975) 'Corporate Social Responsiveness'(Sturdivant and Ginter, 1977) 'Corporate Social Performance' (Ruf et al, 1998) 'Stakeholder Management' (Ogden and Watson, 1999) 'Business Social Responsibility' (Bessera and Miller, 2001) and 'Responsible Entrepreneurship' (European Commission, 2002).

The survey asked respondents to indicate the term used by the organization when referring to the social and environmental activities of the firm, if a term other than CSR was used. The majority of respondents did not specify an alternative term or specifically stated that they used the term CSR. However, some respondents provided another term which tended to reflect the specific activities of CSR that the firm is involved in. Alterative terms include Corporate Responsibility (one respondent noted that this was due to the fact that CSR is not just about social issues), Community Relations, Environmental Policy, Health & Safety Policy, Ethical Responsibility and Sustainability. This is in favor of the argument that CSR can be conceptualized differently by individual organizations (Griffin, 2000). As one respondent noted when defining CSR 'its definition is unique to each organization as it should be based on a company’s objective, risks, opportunities & competencies…’. The next section seeks to uncover respondent’s attitude toward the term CSR.

6.3.4 Describing the Term CSR

To gain some insight into the attitude of firms operating in Ireland toward the term CSR, respondents were asked to indicate if they felt any of the following words describe the term CSR (respondents were permitted to select more than one term); self explanatory, straight forward, complex, unclear meaning, academic, firm specific. Respondents were also given the option to include any other word that they felt described the term, however, no other terms were provided.

In favor of the term CSR, 35% of respondents felt the term is ‘self explanatory’ and 20.8% felt it is ‘straight forward’. Over half of respondents indicated that the term was either self explanatory or straight forward (51.3%). However, 20.3% of respondents felt the term CSR is complex and 14.7% felt the term has an ‘unclear meaning’, while 10.7% regard it as firm specific and 8.6% as academic.

It has been argued that the term Corporate Social Responsibility is a rather complex notion developed for large companies which is perhaps not the most appropriate term for SMEs (Jenkins, 2004a; Moore and Spence, 2006) in particular the word Corporate alienates some SMEs, implying a certain size enterprise (Schaper and Savery, 2004; Castka et al, 2004). Jenkins (2004a) found SMEs believe CSR is an inappropriate term, describing it variously as ‘confusing’, ‘frightening’, ‘difficult’, ‘daunting’, ‘jargon’, ‘woolly’, ‘abstract’ and ‘academic’. In a study of twenty four SMEs operating in the UK, Jenkins (2004a) found seventeen were uncomfortable with the term CSR. According to Roberts et al (2006: 281) ‘the terms Corporate Social Responsibility or Corporate Responsibility are simply the wrong terms to engage and/or support smaller business in understanding and managing their key social, environmental and economic impacts’.

However, as table 6.5 indicates, small firms (less than 50 employees) represent the largest group of respondents indicating that the term CSR is 'self explanatory' or 'straight forward'. Equally, they represent the smallest group of respondents indicating that the term CSR is 'academic' or 'complex'. However, a significant percentage of small firms believe the term to have an 'unclear meaning'.

Table 6.5 Words used to describe the term CSR & Firm Size

			number of employees			
		Pearson's Chi Square	Less than 50	50 - 250	More than 250	**Total**
Self explanatory		.898	37.1%	33.3%	35.1%	**35%**
Unclear meaning		.390	19.4%	14.1%	10.5%	**14.7%**
Complex		.176	12.9%	21.8%	26.3%	**20.3%**
Straight forward		.282	27.4%	16.7%	19.3%	**20.8%**
Firm specific		.346	6.5%	14.1%	10.5%	**10.7%**
Academic		**.022**	1.6%	9%	15.8%	**8.6%**

6.4 Objective Two

Uncover the nature, type and extent of CSR in the Irish Sector (differentiating between large and small firms).

The second objective of this research seeks to gain knowledge and insight into CSR in Ireland. This section analyses the nature of CSR. Firstly, looking at the extent that respondents feel their firm to be a socially responsible firm. Secondly, the extent to which CSR activities are carried out on a regular basis and the extent to which they are linked to the firm's strategy. Next, the management of CSR, the communication of CSR and the motivation behind undertaking CSR activities are analyzed. Lastly, specific attention is turned to SMEs and in particular the barriers experienced by SMEs when undertaking CSR**.** Attention is then turned to the type of CSR activities undertaken by firms operating in the Irish sector.

6.4.1 Extent of Social Responsibility

Respondents were asked to state the extent to which they agreed with the question 'Our firm is a socially responsible firm'. Table 6.6 illustrates the responses to this question.

Table 6.6 Statement "Our firm is a Socially Responsible Firm" & Firm Size Cross-tabulation

	number of employees			**Total**
Statement "Our firm is a socially responsible firm"	less than 50	50 - 250	more than 250	
Disagree/ neither agree or disagree	36.1%	19.2%	12.3%	**22.4%**
agree	63.9%	80.8%	87.7%	**77.6%**

Chi-Square Test Results

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.346(a)	2	**.006**
Likelihood Ratio	10.157	2	.006
Linear-by-Linear Association	10.269	1	.001
N of Valid Cases	196		

It is clear from table 6.6 that most respondents believe their firm is socially responsible. In total, 77.6% of respondents either agree or strongly agree with the statement. This is in line with recent literature arguing that CSR is an important area for organizations (Basu and Plazzo, 2008; Angelidis et al, 2008) and in particular, organizations operating in Ireland (Whooley, 2004). However, caution should be taken that this may not represent the general opinion of firms operating in Ireland as this sample represents those willing to participate in a study on CSR and are likely to represent those more interested/ involved in CSR than firms in general.

It can also be seen from table 6.6 that as one moves from small to large firms, the percentage of those disagreeing with the statement is reducing while the percentage agreeing is increasing. Chi square results indicate a significant relationship. Gulyas (2009) similary found involvement in CSR to be more common in larger firms; the study reported that 86% of large firms saw CSR as an integral part of their business in comparison to 44% of smaller firms.

However, many authors argue that is it unsurprising to find larger firms more extensively involved in CSR than SMEs. Larger firms have a greater impact on society; they employ a larger number of people, consume a larger number of resources, produce and sell a larger number of products and often make large profits, larger firms also produce a larger volume of waste (Carlisle and Faulkner, 2004; Lerner and Fryxell, 1994). As a result of this, large firms can be open to a great deal of scrutiny in the area of CSR (Buehler and Shetty, 1976; Fox, 2005). Large firms have greater visibility than SMEs which generates interest in this sector (Graafland et al, 2003; Lepoutre and Heene, 2006). Indeed, information is more readily available and accessible on the firm performance and social acitivity of large firms particularly publicly traded companies (Thompson and Smith, 1991).

According to Baron (2009) large firms experience pressure to be involved in CSR from a host of sources, including customers, investors, governments, NGOs and social activitists. According to Baron (2007) this pressure plays a major role in determining CSR strategy and perfomrance.

While this finding would appear to contradict literature arguing SMEs are greatly involved in CSR (Fox, 2005; Bessera and Miller, 2001; Murillo and Lozano, 2006), it has been noted in the literature that quite often SMEs are involved in CSR and do not call it CSR or may not even be aware of it (Perrini, 2006; Prinic, 2003). Indeed some evidence of this was found in the interview analysis (Sweeney, 2007). This will be returned to in the analysis of CSR activities later in the chapter.

Table 6.7 Statement "Our firm is a socially responsible firm" & Irish indigenous/ Irish Subsidiary Cross-tabulation

		Disagree/ Neither Agree nor Disagree	Agree	Total
	Irish indigenous	77.3%	60.7%	64.4%
	Irish subsidiary	22.7%	39.3%	35.6%

Chi-Square Test Results

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	4.094(b)	1	**.043**		
Continuity Correction(a)	3.401	1	.065		
Likelihood Ratio	4.315	1	.038		
Fisher's Exact Test				.049	.030
Linear-by-Linear Association	4.073	1	.044		
N of Valid Cases	194				

Table 6.7 indicates that agreement with the statement “Our firm is a socially responsible firm” is more common in Irish subsidiaries than Irish indigenous firms. Due to the small volume of respondents who disagree with the statement, the table combines those who disagree and neither agree or disagree with the statement to allow for chi square analysis. A chi square of .05 or less indicates the variables are significantly related. The above chi square of .043 indicates there is a significant relationship between the statement “Our firm is a socially responsible firm” and whether or not the firm is Irish indigenous or an Irish subsidiary to a MNE.

6.4.2 Regularity of CSR & Link to Strategy

The majority of respondents feel CSR in their organization is carried out on a regular basis with 55.4% of respondents either agreeing or agreeing strongly with the statement, in comparison to just 22.1% that disagree or strongly disagree with the statement.

Table 6.8 Statement "The CSR activities of the Firm are Conducted on a Regular Basis" & Firm Size Cross-tabulation

		number of employees			**Total**
		less than 50	50 - 250	more than 250	
Statement "The CSR activities of the firm are conducted on a regular basis"	disagree	30.0%	21.8%	14.0%	**22.1%**
	neither agree or disagree	28.3%	23.1%	15.8%	**22.6%**
	agree	41.7%	55.1%	70.2%	**55.4%**

Chi-Square Test Results

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.727(a)	4	**.045**
Likelihood Ratio	9.886	4	.042
Linear-by-Linear Association	8.247	1	.004
N of Valid Cases	195		

Table 6.8 indicates that there is a positive correlation between regularity of CSR and firm size. Agreement with the statement is more common in large organizations than in small or medium sized firms. Chi square results indicate that the relationship is statistically significant. This is in line with previous research arguing that CSR is more formal and structured in large organizations than in SMEs in which CSR tends to be conducted on an ad hoc basis (Jenkins, 2004a; Schaper and Savery, 2004).

A large proportion of firms indicate that their CSR activities are closely linked to their business strategy with 49.2% either agreeing or strongly agreeing with the statement, in comparison to 23.1% disagreeing or strongly disagreeing with the statement. According to Porter and Kramer (2006) disconnecting CSR from business strategy is a 'terrible waste'. They use examples of Whole Food Market, Toyota and Volvo to illustrate that interlinking CSR with business strategy can result in CSR becoming a source of innovation and competitive advantage.

Table 6.9 Statement "Our CSR Activities are Closely Related to Our Business Strategy" & Firm Size Cross-tabulation

		number of employees			**Total**
		less than 50	50 - 250	more than 250	
statement "Our CSR activities are closely related to our business strategy"	disagree	26.7%	21.8%	21.1%	**23.1%**
	neither agree or disagree	40.0%	26.9%	15.8%	**27.7%**
	agree	33.3%	51.3%	63.2%	**49.2%**

Chi-Square Test Results

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.099(a)	4	**.017**
Likelihood Ratio	12.439	4	.014
Linear-by-Linear Association	5.794	1	.016
N of Valid Cases	195		

Again, agreement with the statement "Our CSR activities are closely related to our business strategy" is more common among large organizations than SMEs, as evident from table 6.9. The chi square result indicates a significant relationship. This is in line with the argument made by Schaper and Savery (2004) that CSR does not tend to be linked to strategy within SMEs.

It would appear that CSR is more structured and formalized in Irish subsidiaries to multinational organizations than in Irish indigenous firms, 50.8% of Irish indigenous firms agree that CSR activities are conducted in a regular basis compared to 62.3% of Irish subsidiaries. However, the chi square result of .069 is above the cutoff point of .05 and indicates a non-significant relationship.

Table 6.10 Statement "CSR Activities are Conducted on a Regular Basis" & Irish Indigenous/Irish Subsidiary Cross-tabulation

	Statement "The CSR activities of the firm are conducted on a regular basis"		
	Disagree	Neither agree nor disagree	Agree
Irish indigenous	27.4%	21.8%	50.8%
Irish subsidiary	13.0%	24.6%	62.3%
Total	22.3%	22.8%	54.9%

Chi-Square Test Results

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.341(a)	2	**.069**
Likelihood Ratio	5.686	2	.058
Linear-by-Linear Association	4.442	1	.035
N of Valid Cases	193		

Agreement that CSR activities are closely related to their business strategy is more common among Irish subsidiaries (60.9%) than Irish indigenous firms (42.4%). As can be seen from table 6.11 the chi square test indicates a statistically significant relationship between the variables.

Table 6.11 Statement "CSR activities closely related to business strategy" & Irish Indigenous/Irish Subsidiary Cross-tabulation

	Statement "Our CSR activities are closely related to our business strategy"		
	disagree	neither agree or disagree	agree
Irish indigenous	24.8%	32.8%	42.4%
Irish subsidiary	20.3%	18.8%	60.9%
Total	23.2%	27.8%	49.0%

Chi-Square Test Results

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.599(a)	2	**.037**
Likelihood Ratio	6.715	2	.035
Linear-by-Linear Association	3.565	1	.059
N of Valid Cases	194		

6.4.3 Management of CSR

To gain insight into the management of CSR, the following section analyses the person responsible for CSR, the extent of senior management involvement and the importance of this involvement. Analysis will be broken down by firm size to differentiate between large and small firms.

It is clear from table 6.12 that the management of CSR quite often is the responsibility of the CEO, particularly among small firms, 21.8% of firms with more than 250 employees indicated the CEO is responsible for CSR, compared to 32.9% of medium sized firms and 47.4% of small firms. This is in line with literature arguing that CSR is commonly the responsibility of the CEO in SMEs (Spence and Rutherfoord, 2001; Thankaffan et al, 2004).

20% of respondents indicated that the role is not clearly defined and as such CSR is the responsibility of everyone in the organization. 45.8% of respondents indicated that a senior manager/ management team was responsible for CSR. This is similar to a study conducted by TNS Gallup (2005) which found that in half of the SMEs studied, responsibility for CSR was assigned to senior management.

General (9.3%), Human Resource (7.7%), CSR (7.1%) and Marketing/ Communications (7.1%) managers were also quite popular to take the role of managing CSR within the organization, followed by Financial (1.1%) and Health & Safety (1.1%) managers. The chi square result indicates that there is a statistically significant difference between small, medium and large organizations with regard to the person responsible for the management of CSR. All senior managers have been combined to allow a comprehensive chi square analysis to be conducted.

Table 6.12 Person Responsible for CSR & Firm Size Cross-tabulation

		number of employees			**Total**
		less than 50	50 - 250	more than 250	
person responsible for CSR	CEO	47.5%	32.9%	21.8%	**34.2%**
	senior management	25.4%	47.4%	65.5%	**45.8%**
	not defined	27.1%	19.7%	12.7%	**20.0%**

Chi-Square Test Results

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.517(a)	4	**.001**
Likelihood Ratio	19.107	4	.001
N of Valid Cases	190		

Only 7.1% of respondents indicated that their firm has a CSR manager in place, this was more common in large organizations in which 22.2% claim a CSR manager is responsible for CSR within the firm. Of those indicating that there is a CSR manager in place, 12.5% indicated that the CSR Manager/ Department was in place for less than 6 months, 37.5% indicated 6 months to 2 years, a further 37.5% said the CSR manager/

department was in place for between 2 and 5 years, while just 12.5% indicated the position was in the organization for over 5 years.

It is interesting to note that 75% of those indicated there was a CSR manager/department in place were Irish subsidiaries of multinational corporations and 25% represent Irish indigenous firms. Of those indicating the position was in place for more than 5 years, all were subsidiaries. These findings provide support for the initial finding from the interview analysis that CSR is a relatively new concept to firms operating in Ireland, particularly Irish indigenous firms.

Turning attention to the involvement of senior management, it was found in previous research (Quinn, 1997) that the involvement of senior management is vital for the effective implementation of CSR activities. This was also believed to be the case by all interview respondents (Sweeney, 2007). As illustrated from table 6.13, the majority of respondents (56.7%) indicate management are largely involved in the CSR activities of the firm. While the absence of involvement from senior management or small level of involvement is more common in small organizations than in large ones, the relationship between firm size and management involvement in CSR activities is not significant.

Table 6.13 Level of Involvement of Senior Management in CSR activities & Firm Size Cross-tabulation

		number of employees			**Total**
		less than 50	50 - 250	more than 250	
level of involvement of senior management in CSR activities	to a small extent	28.3%	16.9%	14.0%	**19.6%**
	to a medium extent	26.7%	22.1%	22.8%	**23.7%**
	to a large extent	45.0%	61.0%	63.2%	**56.7%**

Chi-Square Test Results

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.978(a)	4	**.201**
Likelihood Ratio	5.889	4	.208
Linear-by-Linear Association	5.667	1	.017
N of Valid Cases	194		

It is clear that respondents felt the involvement of senior management was important, as table 6.14 indicates that only 11.9% of respondents feel senior management involvement is not at all important or important only to a small extent. In comparison, 64.9% of respondents believe it to be important to a large or quite a large extent. This is in line with Jenkins (2004b) and Worthington et al (2006) who found senior management/ CEO to have a major influence on CSR within organizations.

Table 6.14 indicates that there is a positive correlation between the opinion that involvement of senior management is important and firm size. This relationship is statistically significant as indicated by the chi square results.

Table 6.14 Importance of Senior Management Involvement in CSR Activities & Firm Size Cross-tabulation

		number of employees			**Total**
		less than 50	50 - 250	more than 250	
importance of senior management involvement in CSR activities	to a small extent	23.0%	7.9%	5.3%	**11.9%**
	to a medium extent	26.2%	18.4%	26.3%	**23.2%**
	to a large extent	50.8%	73.7%	68.4%	**64.9%**

Chi-Square Test Results

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.531(a)	4	**.009**
Likelihood Ratio	12.996	4	.011
Linear-by-Linear Association	9.769	1	.002
N of Valid Cases	194		

It is interesting to note that of those respondents stating that senior management within their firm was involved with CSR to a large or quite a large extent, 87.2% either agreed or agreed strongly that their firm was a socially responsible firm. In comparison only 28% of respondents that felt senior management are not at all involved with CSR within the firm or involved to a small extent agreed or agreed strongly that their firm was a socially responsible firm. Chi square results from table 6.15 indicate a statistically significant relationship.

Table 6.15 Statement "Our Firm is a Socially Responsible Firm" & Importance of Senior Management Involvement in CSR Activities Cross-tabulation

	Importance of senior management involvement in CSR activities			Total
Statement "Our firm is a socially responsible firm"	to a small extent	to a medium extent	to a large extent	
Disagree/ neither agree or disagree	72.0%	29.8%	12.8%	**23.1%**
agree	28.0%	70.2%	87.2%	**76.9%**

Chi-Square Test Results

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	43.849(a)	2	**.000**
Likelihood Ratio	38.143	2	.000
Linear-by-Linear Association	40.954	1	.000
N of Valid Cases	221		

6.4.4 Corporate Social Disclosure

While 87% of respondents are familiar with the term CSR and almost 78% believe their firm to be a socially responsible firm, less than half (48.6%) of the respondents communicate their CSR efforts, as evident from table 6.16. This is in contrast to findings from Ciliberti et al (2008) study which found all respondents emphasised the importance of communicating their CSR objectives and practices to external stakeholders. Similarly, Liston-Heyes and Ceton (2007) argue that all but a few Fortune 500 firms produce dedicated CSR reports. However, it is in line with the argument that corporate social disclosure is less popular in Ireland than in other countries (O'Dwyer et al, 2005). In support of this, chi square results indicate that Irish subsidiaries to multinational organizations are more likely to communicate their CSR efforts than Irish indigenous firms.

Table 6.16 Communication of CSR Activities & Irish Indigenous/Irish Subsidiary Cross-tabulation

				Total
		Irish indigenous	Irish subsidiary	
Does the firm communicate CSR activities	yes	42.1%	62.3%	**49.5%**
	no	57.9%	37.7%	**50.5%**

As illustrated in table 6.17 the main recipients of CSR communication from this group of respondents was employees. Customers and the public were selected by 15.8% and 15.3% of respondents respectively. Interestingly, only 7.2% indicate that they communicate their CSR efforts to all stakeholders, 5.9% to shareholders and only 1.4% to suppliers.

Table 6.17 CSR Communication Recipients

Employees	30.6%
Customers	15.8%
Community/ Public	15.3%
All Stakeholders	7.2%
Shareholders	5.9%
Suppliers	1.4%

In line with the fact that employees are the main recipients of CSR communication, the main methods employed to communicate CSR activities are intranet/ internal notices and email/postal letters. As evident from table 6.18 only 6.3% of respondents indicate the use of Annual reports to communicate CSR and only 3.2% use CSR reports. While this may be explained by the fact that most respondents are not publicly traded companies, it would appear to highlight missed opportunity by firms operating in Ireland as it has been argued in the literature (Dando and Swift, 2003; Keeble et al, 2003) that Corporate Social Disclosure is increasing elsewhere. Esrock and Leichty (1998) found 90% of a random sample of Fortune 500 companies' websites had reference to at least one CSR issue, whereas only 6.3% of this sample indicated that they use their website to communicate CSR.

Table 6.18 CSR Communication Methods

Intranet/ Internal notices	13.1%
E mail/ Postal letter	12.6%
Press	8.6%
Word of mouth/ Meetings	7.7%
Newsletter	7.2%
Annual report	6.3%
Website	6.3%
Graduate brochure	5.9%
Quarterly review	3.6%
External advertisements	3.2%
CSR report	3.2%

Table 6.19 CSR Communication & Firm Size Cross-tabulation

		number of employees			**Total**
		less than 50	50 - 250	more than 250	
Does the firm communicate CSR activities	yes	29.5%	53.3%	66.1%	**49.5%**
	no	70.5%	46.7%	33.9%	**50.5%**

Chi-Square Test Results

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.346(a)	2	**.000**
Likelihood Ratio	16.756	2	.000
Linear-by-Linear Association	16.256	1	.000
N of Valid Cases	192		

The tendency to communicate CSR is more common in large firms than in smaller firms, the percentage of respondents indicating that they communicate their CSR activities is increasing along the table from small, to medium and then to large firms. The chi square results from table 6.19 indicate a significant relationship between firm size and the tendency to communicate CSR efforts. It may be the case that SMEs are managed mainly though informal communication methods and formal communication procedures are deemed unnecessary. These findings support the arguments made in the literature that SMEs are less likely than large firms to communicate their CSR efforts (Perrini, 2006; Prinic, 2003) because CSR is at an earlier stage of development in SMEs than in large firms (Roche, 2002). This was also found to be the case in the interview analysis and may be a reflection of earlier findings that CSR is more formal and strategic in larger organizations than in smaller ones. Gulyas (2009) found that 71% of larger firms report CSR activities in their annual reports compared to 25% of small firms. Prado-Lorenzo et al (2008) study of Spanish firms also found the tendency to report CSR information to be more common in larger firms and argued that this is the case due to the fact that the disclosure of CSR practices is quite recent in Spanish organizations and as such is started by larger listed companies.

It is also possible that smaller firms are skeptical of communicating their CSR activities as they feel this is exploiting CSR as a PR tool. This was found to be the case in the interview analysis. The next section will go some way toward answering this question by analyzing the motivation behind CSR.

6.4.5 Motivation for CSR

It is clear from the questionnaire findings that there are many factors that play an important part in motivating firms to undertake CSR. 71.8% of respondents indicate that 'to preserve or improve the company's reputation' was a motivating factor to a great or quite a great extent. This is in line with the argument made by Curran (2005) that good performance in relation to CSR can build a firm's reputation while poor performance can damage brand value.

As illustrated in table 6.20 67.9% of respondents indicated that 'to give back to the community' was a motivator to a great extent or quite a great extent. 64.5% indicated that 'to reduce our environmental impact' was important to a great extent or quite a great extent. 66.9% of respondents indicated that 'ethical and moral reasons' represents a factor motivating them to undertake CSR to a great extent or quite a great extent.

Other important motivators include improving community relations, improving customer loyalty, improving employee motivation, improving relations with business partners and improving economic performance. Pressure from third parties and availing of public incentives do not appear to be very strong motivators for undertaking CSR. This is in line with findings from Ciliberti et al (2008) study that found CSR was considered a subordinate criterion to economic and/or product quality evaluation from suppliers.

Table 6.20 Motivations for CSR & Firm Size Cross-tabulation

		number of employees			
		less than 50	50 - 250	More than 250	**Total**
preserve/ improve company's reputation	to a large extent	51.00%	78.90%	80.30%	**71.8%**
give back to the community	to a large extent	61.50%	61.80%	78.50%	**67.9%**
ethical & moral reasons	to a large extent	60.40%	63.20%	78.60%	**66.9%**
reduce environmental impact	to a large extent	54.70%	61.80%	76.40%	**64.5%**
improve employee motivation	to a large extent	53.90%	60.50%	63.70%	**59.6%**
improve community relations	to a large extent	41.50%	52.70%	67.90%	**54.1%**
improve customer loyalty	to a large extent	38.50%	63.10%	55.40%	**53.8%**
improve relations with business partners/ investors	to a large extent	61.10%	50.00%	54.50%	**45.4%**
improve economic performance	to a large extent	26.90%	43.40%	41.00%	**38%**
pressure from third parties	to a large extent	11.50%	25.00%	20.00%	**19.7%**
avail of public incentives	to a large extent	7.70%	14.50%	5.40%	**9.8%**

Chi Square Test Results

	Value	df	Asymp. Sig. (2-sided)
preserve/ improve company's reputation	13.210	4	**.004**
give back to the community	7.021	4	.135
ethical & moral reasons	6.666	4	.155
reduce environmental impact	7.968	4	.093
improve employee motivation	1.478	4	.831
improve community relations	7.934	4	.094
improve customer loyalty	11.493	4	**.022**
improve relations with business partners/ investors	11.229	4	**.024**
improve economic performance	9.604	4	**.048**
pressure from third parties	14.679	4	**.005**
avail of public incentives	10.874	4	**.028**

It is interesting to note that many motivating factors that benefit the organization such as ‘improve economic performance’, ‘improve customer loyalty’, ‘preserve or improve company’s reputation’ were indicated as important motivators by more large organizations than SMEs. Chi square results indicate a significant relationship between firm size and these motivating factors.

This is in line with Berman and Wicks (1999) study of the Fortune 100 companies which found these firms were motivated to undertake CSR by economic reasons rather than intrinsic merit. Similarly, a study of large global organizations by Ernst & Young (2002) found the motivation to develop a CSR strategy for most organizations (94%) came from awareness that it can deliver real business benefits. Navarro (1988), Curran (2005) and Moir and Taffler (2004) found firms to be involved in CSR for self interest rather than altruism.

On the other hand Jenkins (2004a) argues that motivational pressures that may engage SMEs with CSR are not the same as for large companies. Jenkins (2006) later expands on this and argues that the growing visibility and global impact of large companies and brands has heralded calls for greater transparency and accountability. SMEs, on the other hand remain largely invisible and unlikely to see CSR in terms of risk to brand image and reputation. For SMEs, issues closer to home are far more likely to hold their attention such as employee motivation and retention. Providing support, Prinic (2003) and Vives (2006) found that SMEs were not motivated to be socially responsible out of a belief that it would bring business benefits but rather from a belief that it is simply the right thing to do. While significant percentages of SMEs indicated 'ethical & moral reasons' and 'give back to the community' are important motivators; chi square test results indicate a non-significant relationship between these motivators and firm size.

6.4.6 SMEs

The analysis of the questionnaire is broken down by firm size for all variables that it is deemed necessary to differentiate between small, medium and large organizations. This was conducted in previous sections and will continue to be done in the sections that follow. In addition to this, there is an ongoing debate in the literature as to whether or not CSR is an issue of importance for smaller organizations, as mentioned previously, the word 'Corporate' could be taken to mean firms of a certain size (Jenkins, 2004b; Moore and Spence, 2006). The questionnaire asked respondents to indicate the extent to which they agreed or disagreed with the following question 'Small and medium sized companies should pay significant attention to their social and environmental responsibilities'.

The majority of respondents (75.3%) agreed or agreed strongly with this statement. 70.2% of small firms (less than 50 employees) agreed or agreed strongly with the statement and only 7% disagreed or disagreed strongly. 76.6% of medium sized firms (50 – 250 employees) agreed or agreed strongly with the statement and only 6.5% disagreed. It would also appear that large organizations also believe SMEs should undertake CSR, 78.6% of firms with more than 250 employees agreed with the statement and just 10.7% disagreed. This is in line with literature arguing that CSR is important in all size firms (Williamson et al, 2006; Moore and Spence, 2006), because all organizations have an impact on society and the environment through their operations, products and services and through their interactions with key stakeholders (Worthington et al, 2006; Fox, 2005). Indeed, research has indicated that SMEs are often involved in CSR activities (Worthington et al, 2006) and are often active members of their communities (Jenkins, 2004a; Roberts et al, 2006).

It has been well documented in the literature that SMEs are likely to face a host of barriers when implementing CSR activities including a perception that CSR does not relate to firms of their size and resource constraints such as financial, human and time constraints (Thompson and Smith, 1991; Carlisle and Faulkner, 2004). However, the interview analysis indicated that SMEs may not experience all these barriers in reality and the only real barrier was cost.

Table 6.21 Barriers to Furthering CSR Activities & Firm Size Cross-tabulation

		number of employees			
Barrier to furthering CSR activities		less than 50	51-250	More than 250	**Total**
Time	to a great extent	51.7%	48.7%	64.9%	**54.4%**
Cost	to a great extent	32.8%	40.3%	28.1%	**34.4%**
Human Resources	to a great extent	30.8%	41.6%	33.3%	**36.5%**
Not an issue for a firm of this size	to a great extent	20.0%	15.6%	5.3%	**13.8%**
Unrelated to firm's activities	to a great extent	26.8%	19.5%	15.8%	**20.5%**

Chi-Square Test Results

	Value	df	Asymp. Sig. (2-sided)
Time	3.752	4	.441
Cost	3.501	4	.478
Human Resources	5.016	4	.286
Not an issue for firms of this size	9.582	4	**.048**
Unrelated to firms activities	5.415	4	.247

The main barrier preventing firms from furthering their CSR activities is time constraints. Other important barriers include cost constraints and human resources constraints. This is in line with current literature arguing the two most fundamental barriers to CSR experienced by SMEs are time and cost (Jenkins, 2006; Vives, 2006;

Roberts et al, 2006; Lepoutre and Henne, 2006), and highlights human resource constraints as a barrier to CSR. These barriers are not confined to SMEs and have been experienced by firms of all sizes. While table 6.21 illustrates that fewer SMEs indicate that CSR is ‘not an issue for firms of this size’ is a barrier to implementing CSR, it is the only barrier that is experienced to a statistically significant greater extent than by larger firms.

However, it should be kept in mind that many SMEs did not experience these barriers or only experienced them to a small extent. Castka et al (2004), Perez-Sanchez (2003) and Roberts et al (2006) found in their studies of SMEs that these barriers are perceptual fear rather than reality. This research found some support for this claim.

6.4.7 CSR Activities

In line with current literature (Agle and Mitchell, 2008; Vaaland et al, 2008) and interview findings (Sweeney, 2007), CSR was viewed to be implemented through stakeholder theory and the main stakeholders include; the environment, community, customers and employees. The following section analyses the extent of various activities undertaken for the benefit of each of these stakeholders.

6.4.7.1 Environment

Table 6.22 Environmental Performance

	Small extent	Medium extent	Large extent
To what extent is your firm involved in Waste Reduction	9.2%	12.4%	78.4%
To what extent is your firm involved in Reduction of Water Consumption	31.5%	26.1%	42.4%
To what extent is your firm involved in Reduction of air pollution	34.8%	23.2%	42%
To what extent is your firm involved in Reduction in Packaging	26.9%	22.5%	50.5%
To what extent is your firm involved in Sustainable transport	47%	22.1%	30.9%
To what extent is your firm involved in Recycling	6.5%	12.4%	81.2%
To what extent is your firm involved in Energy Conservation	12.9%	24.7%	62.4%
To what extent does your organization consider environmental impact when developing new products	27.4%	21.7%	50.9%
To what extent does your organization use environmentally friendly packaging / containers	22.5%	27.5%	50%

It is clear from table 6.22 that the most common environmental activities were waste reduction and recycling, with 81.29% of respondents indicating their firm is involved in recycling to a great extent or quite a great extent. Equally, 78.4% of respondents indicate their firm is involved in waste reduction to a large extent or quite a large extent. Energy conservation appears to be another common environmental activity with 61.6% of respondents indicating their firm is involved in this activity to a great extent or quite a great extent. Reduction in water consumption, reduction in air pollution, reduction in packaging and consideration of the environment in NPD were noted as activities of involvement to a great or quite a great extent by 42.4%, 42%, 50.5% and 50.9% of respondents respectively. Similarly, 50% of respondents indicated they were involved the use of environmentally friendly packaging and containers to a great or quite a great extent while only 30.9% indicate this level of involvement in sustainable transport .

Significant involvement in all of the environmental activities is more common in large firms than small ones. Table 6.23 illustrates the chi square test results of the relationship between environmental activities and firm size. Activities with a significant relationship include energy conservation, reduction in packaging and sustainable transport.

Table 6.23 Environment Activities & Firm Size –Chi Square Test Results

	Value	df	Asymp. Sig. (2-sided)
To what extent is your firm involved in Waste Reduction	3.517	4	.475
To what extent is your firm involved in Recycling	5.454	4	.244
To what extent is your firm involved in Energy Conservation	14.891	4	**.005**
To what extent is your firm involved in Reduction of Water Consumption	2.742	4	.602
To what extent is your firm involved in Reduction of air pollution	8.079	4	.089
To what extent is your firm involved in Reduction in Packaging	13.426	4	**.009**
To what extent is your firm involved in Sustainable transport	9.527	4	**.049**
To what extent does your organization consider environmental impact when developing new products	7.650	4	.105
To what extent does your organization use environmentally friendly packaging / containers	4.928	4	.295

An analysis of environmental performance by industry in table 6.24 indicates a significantly lower percentage of firms in the finance sector indicated involvement in environmental activities to a great extent. In contrast, firms in the construction, transportation and energy sectors and the manufacturing, recycling and waste management sectors indicated great involvement in environmental activities. These and similar findings in this section are in line with research carried out by Cooper et al (2001) and Carlisle and Faulkner (2004).

Table 6.24 Environment Activities & Industry –Chi Square Test Results

	Value	df	Asymp. Sig. (2-sided)
To what extent is your firm involved in Waste Reduction	2.457	2	.293
To what extent is your firm involved in Recycling	1.145	2	.564
To what extent is your firm involved in Energy Conservation	7.005	2	**.030**
To what extent is your firm involved in Reduction of Water Consumption	9.589	2	**.008**
To what extent is your firm involved in Reduction of air pollution	20.964	2	**.000**
To what extent is your firm involved in Reduction in Packaging	13.320	2	**.001**
To what extent is your firm involved in Sustainable transport	22.883	2	**.000**
To what extent does your organization consider environmental impact when developing new products	14.083	2	**.001**
To what extent does your organization use environmentally friendly packaging / containers	6.924	2	**.031**

6.4.7.2 Customers

Table 6.25 Customer Performance

	To a small / medium extent	To a large extent
To what extent does your firm supply clear and accurate information and labelling about products and services?	37.4%	62.6%
To what extent does your company resolve customer complaints in a timely manner?	9.0%	91.0%
To what extent are quality assurance criteria adhered to in production?	12.9%	87.1%
To what extent is your organisation committed to providing value to customers?	7.9%	92.1%
To what extent has the issue of accessibility been considered in the company?	38.2%	61.8%

As table 6.25 illustrates, all customer activities received quite a high percentage of firms indicating involvement to a great extent. Indeed, due to the small volume of respondents who indicate a small extent of involvement in CSR activities geared toward customers, the table combines those indicating a small extent of involvement and medium extent of involvement to allow for chi square analysis.

While it would appear that significant involvement in certain CSR activities geared toward customers is more common in larger organizations. The activities with a significant relationship to firm size are adherence to quality assurance in production and consideration of accessibility of customers as illustrated by table 6.26.

Table 6.26 Customer Activities & Firm Size – Chi Square Test Results

	Value	df	Asymp. Sig. (2-sided)
To what extent does your firm supply clear and accurate information and labelling about products and services?	5.519	2	.063
To what extent does your company resolve customer complaints in a timely manner?	4.163	2	.125
To what extent are quality assurance criteria adhered to in production?	15.817	2	**.000**
To what extent is your organisation committed to providing value to customers?	1.130	2	.568
To what extent has the issue of accessibility been considered in the company?	7.924	2	**.019**

The industries with the highest percentage of firms indicating great involvement in activities overall are the healthcare sector and the retail/wholesale sector. This is in line with research conducted by Cooper et al (2001).

Analyzing individual customer activities in table 6.27 highlights that the only activities that have a statistically significant relationship with firm size are ‘supply clear and accurate information about products and services’ and ‘adherence to quality assurance in production’.

Table 6.27 Customer Activities & Industry –Chi Square Test Results

	Value	df	Asymp. Sig. (2-sided)
To what extent does your firm supply clear and accurate information and labelling about products and services?	8.1	1	**.004**
To what extent does your company resolve customer complaints in a timely manner?	.209	1	.647
To what extent are quality assurance criteria adhered to in production?	12.763	1	**.000**
To what extent is your organisation committed to providing value to customers?	.232	1	.630
To what extent has the issue of accessibility been considered in the company?	.956	1	.328

6.4.7.3 Employees

In line with the fact that employees are deemed to be a very important stakeholder within the literature (Hopkins, 2003), the third element of CSR measures the extent to which respondent firms undertake activities for the benefit of employees.

3.4% of respondents feel the wage rate in their firm is lower or much lower than the average of their industry, 43.3% feel it is equal to the average of their industry and 53.3% feel it is higher than the average of their industry.

Table 6.28 Employee Performance

	To a small/ medium extent	To a large extent
To what extent does your organisation encourage employees to develop real skills and long term careers?	19.8%	80.2%
To what extent does your organisation ensure adequate steps are taken against all forms of discrimination?	9.2%	90.8%
To what extent does your organisation consult employees on important issues?	3.0%	97%
To what extent is your organisation committed to the health and safety of employees?	35.7%	64.3%
To what extent does your firm ensure a work/life balance among employees?	28.6%	71.4%

Again, due to the small volume of respondents who indicate a small extent of involvement in CSR activities geared toward employees, the table combines those indicating a small extent of involvement and medium extent of involvement to allow for chi square analysis.

Analyzing the CSR activities for employees in different size firms in table 6.29 indicates that a smaller percentage of micro firms are involved in CSR activities for employee than any other group, with the exception of ensuring work/life balance. However, the only statistically significant relationship is between ‘encouraging employees to invest in real skills & long term career development’ and firm size.

Table 6.29 **Employee Activities & Firm size – Chi Square Test Results**

	Value	df	Asymp. Sig. (2-sided)
How does the wage rate of your firm relate to the average wage rate of the sector in which your firm operates?	1.138	2	.566
To what extent does your organisation encourage employees to develop real skills and long term careers?	9.389	2	**.009**
To what extent does your organisation ensure adequate steps are taken against all forms of discrimination?	1.759	2	.415
To what extent does your organisation consult employees on important issues?	3.579	2	.167
To what extent is your organisation committed to the health and safety of employees?	.435	2	.805
To what extent does your firm ensure a work/life balance among employees?	2.155	2	.340

In analyzing CSR activities for employees with industry type, the healthcare industry indicates the highest percentage of respondents indicating a great commitment in activities in many areas. However, there was very little industry specification noted in relation to CSR activities geared toward employees and the only statistically significant variable was work/life balance, as can be seen in table 6.30.

Table 6.30 Employee Activities & Industry – Chi Square Test Results

	Value	df	Asymp. Sig. (2-sided)
How does the wage rate of your firm relate to the average wage rate of the sector in which your firm operates?	2.822	1	.093
To what extent does your organisation encourage employees to develop real skills and long term careers?	1.612	1	.204
To what extent does your organisation ensure adequate steps are taken against all forms of discrimination?	.160	1	.689
To what extent does your organisation consult employees on important issues?	2.379	1	.123
To what extent is your organisation committed to the health and safety of employees?	4.978	1	**.026**
To what extent does your firm ensure a work/life balance among employees?	.511	1	.475

6.4.7.4 Community

Table 6.31 Community Performance

	To a small extent	To a medium extent	To a large extent
To what extent does your firm donate to charity?	11.2%	34%	54.8%
To what extent are staff members involved in charity volunteer work on behalf of the firm?	37.2%	28.7%	34%
To what extent is your company actively involved in a project(s) with the local community?	38.6%	27.5%	33.9%
To what extent does your company have purchasing policies that favour the local communities in which it operates?	34.6%	24.5%	41%
To what extent does your company have recruitment policies that favour the local communities in which it operates?	26.6%	32.1%	41.3%

From table 6.31 it is clear that over half (54.8%) of respondents donate to charity to a great or quite a great extent. 41% of respondents claim to have recruitment policies that favor the local community to a great or quite a great extent. However, one respondent noted that this is done to improve employee retention within the firm and not necessarily to benefit the community. A similar percentage of firms report to have purchasing policies in place that favors the local community.

There would appear to be a positive relationship between the extent to which firms are involved in CSR activities within the community and firm size. In particular significant relationships are reported below for 'extent to which firm donates to charity', 'extent to which employees volunteer on behalf of firm' and 'extent to which firm is involved in projects with the local community'.

Table 6.32 Community Activities & Firm Size – Chi Square Test Results

	Value	df	Asymp. Sig. (2-sided)
To what extent does your firm donate to charity?	24.494	4	**.000**
To what extent are staff members involved in charity volunteer work on behalf of the firm?	30.359	4	**.000**
To what extent is your company actively involved in a project(s) with the local community?	24.962	4	**.000**
To what extent does your company have purchasing policies that favour the local communities in which it operates?	8.051	4	.090
To what extent does your company have recruitment policies that favour the local communities in which it operates?	8.052	4	.090

Analyzing CSR in the community among different industries in table 6.32 highlights that the construction, transportation & energy sector has the highest percentage of respondents indicating great involvement in many activities, with the exception of employee volunteer work on behalf of the firm. The retail & wholesale sector has also high percentages in many activities. However, as can be seen in table 6.33 statistical analysis highlights that no community activities have a significant relationship with industry type.

Table 6.33 Community activities & Industry –Chi square test Results

	Value	df	Asymp. Sig. (2-sided)
To what extent does your firm donate to charity?	.881	2	.644
To what extent are staff members involved in charity volunteer work on behalf of the firm?	3.032	2	.220
To what extent is your company actively involved in a project(s) with the local community?	1.641	2	.440
To what extent does your company have purchasing policies that favour the local communities in which it operates?	5.821	2	.054
To what extent does your company have recruitment policies that favour the local communities in which it operates?	5.585	2	.061

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6.5 Objective Three

Assess the link between CSR and financial performance.

While the next chapter measures the relationship between CSR and financial performance using structural equation modeling, it is interesting to analyze respondent's view of the relationship between these two variables.

6.5.1 Relationship between CSR and Financial Performance

Very few respondents indicated that CSR had a strong impact on financial performance either positive (1.1%) or negative (.6%). The majority (68.2%) indicated that the CSR activities of the firm have no impact on financial performance. This is in line with finding from Hitchens et al (2003). According to Liston-Heyes and Ceton (2007) companies are increasingly viewing CSR as a tool that can improve the bottom line, in this research 24.2% of respondents indicate that CSR has a positive impact on financial performance, which is in line with studies from Brammer et al (2007) and Tsoutsoura (2004). Just 7.3% find in favor of Moore (2001) and indicate CSR has a negative impact on financial performance. Due to the small volume of respondents indicating CSR has a negative impact on financial performance; table 6.34 has combined the opinion that CSR has a negative impact on CSR and the opinion that CSR has no impact on CSR to allow for a chi square analysis to be conducted.

Table 6.34 Impact of CSR on Financial Performance & Firm Size Cross-tabulation

Impact of CSR on financial performance	number of employees			**Total**
	less than 50	50 - 250	more than 250	
Negative impact / No impact	93.4%	69.6%	64.3%	**75.8%**
Positive impact	6.6%	30.4%	35.7%	**24.2%**

Chi-Square Test Results

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.863(a)	2	**.000**
Likelihood Ratio	18.501	2	.000
Linear-by-Linear Association	15.337	1	.000
N of Valid Cases	186		

In relation to firm size, there are a larger percentage of medium and large firms believing CSR has a positive impact on financial performance than small firms. The great majority of small firms feel CSR has no impact on financial performance. Chi square results indicate a significant relationship between firm size and opinion of the relationship between CSR and financial performance. This is in contrast to many authors arguing that SMEs can benefit financially from CSR (Orlitzky, 2005) by enhancing their competitive advantage (Enderle, 2004). Indeed much research of SMEs has found in favor of a positive relationship. For example, Bessera and Miller's (2000) study using telephone interviews with a stratified random sample of 1,008 small business owners reported that this sample of respondents believed there to be a positive relationship between CSR and financial performance.

A case study of four SMEs operating in Spain conducted by Murillo and Lozano (2006) similarly found that all companies without exception and with great conviction defend a strong positive correlation between CSR and financial performance. Brown and King (1982: 15) found that virtually all respondents agreed with the notion that ‘ethical practices are good business in the long run’. Wilson (1980) conducted a study consisting of in-depth interviews with 180 owner/managers of SMEs. A key finding was that the majority of respondents stated that social responsibility was necessary for the sake of profits, as it lead to an enhanced reputation and repeat business. The previously mentioned study by TNS Gallup (2005) found that thirty six percent of SMEs believe CSR has a positive impact of their financial performance while only 4% feel it has a negative impact. This study found thirty percent of medium sized firms (50 – 250 employees) felt CSR had a positive impact on financial performance but only seven percent of small firms (less than 50 employees) reported a positive relationship between the variables.

6.5.2 Time Frame

Respondents were asked to indicate the extent to which they agree that the impacts of CSR are experienced in the long term. As table 6.35 indicates, the majority of respondents (61.5%) agreed with this statement. While 34.6% were undecided, only 3.9% either disagreed or disagreed strongly. This is in line with the view of many authors (for example, Pava and Krausz, 1996; Tsousoura, 2004) that the financial benefits of CSR are obtained in the long term. Due to the small volume of respondents that disagree with the statement the table below combines those who disagree and those who neither agree nor disagree with the statement to allow for chi square analysis.

Table 6.35 Statement "The Financial Implications of CSR are Experienced in the Long Term" & Firm Size Cross-tabulation

statement "The financial implications of CSR are experienced in the long term"	number of employees			**Total**
	less than 50	50 - 250	more than 250	
Disagree / Neither agree or disagree	56.7%	38.6%	21.4%	**39.2%**
Agree	43.3%	61.4%	78.6%	**60.8%**

Chi-Square Test Results

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.106(a)	2	**.001**
Likelihood Ratio	15.529	2	.000
Linear-by-Linear Association	14.520	1	.000
N of Valid Cases	186		

Breaking down responses by firm size highlights that significantly more large firms indicate they agree with the statement than smaller firms. Chi square test results indicate statistical significance.

6.5.3 Financial Performance Requirement for CSR

If there is a positive relationship between CSR and financial performance, it is not necessarily the case that CSR has brought about greater financial performance. As has been argued in the literature (Waddock and Graves, 1997a, Stanwick and Stanwick, 1998), it may be the case that strong financial performance allows a firm to undertake CSR activities. Respondents were asked the extent to which they agreed with this argument.

Table 6.36 Statement "A firm must first be Profitable before Undertaking CSR" & Firm Size Cross-tabulation

		number of employees			**Total**
		less than 50	50 - 250	more than 250	
statement "A firm must first be profitable before undertaking CSR"	disagree	37.5%	40.6%	49.1%	**42.2%**
	neither agree or disagree	28.6%	29.0%	25.5%	**27.8%**
	agree	33.9%	30.4%	25.5%	**30.0%**

Chi-Square Test Results

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.781(a)	4	.776
Likelihood Ratio	1.774	4	.777
Linear-by-Linear Association	1.374	1	.241
N of Valid Cases	180		

As illustrated in table 6.36 results are quite mixed, while 42.3% of respondents disagree that a firm must first be profitable before undertaking CSR activities, 30% agree and 27.8% are undecided. Chi square results indicate there is no significant difference in opinion among large and small firms.

6.6 Conclusion

This chapter outlined in detail the main findings of the questionnaire methodology. The findings have been outlined under each research objective. The first objective aimed to determine an operational meaning of the term CSR in an Irish context (differentiating between small and large firms). It was found that familiarity with the term was high (87.7%) although this is believed to be inflated as respondents represent those individuals agreeing to take part in a study on CSR. While familiarity with the term was found to be more common in large firms than in smaller ones, the relationship is not statistically significant. This points in favour of the argument that CSR is important to large and small firms (Moore and Spence, 2006). While an abundance of definitions of the term CSR were provided, in line with recent literature (Pivato et al, 2008) a clear commonality within the definitions was a tendency to define CSR through the lens of stakeholder theory.

The community was the most cited stakeholder, followed by the environment. Customers and employees were also noted by many respondents in their definition of CSR. While few respondents indicated that they used another term to CSR when referring to the social and environmental activities of the firm, alternatives noted include

Corporate Responsibility, Community Relations, Environmental Policy, Health & Safety Policy, Ethical Responsibility and Sustainability. Respondent's attitude toward the term provided mixed results. In favor of the term over half of respondents felt it was either 'straight forward' or 'self explanatory'. However, many referred to the term as complex (20.5%), unclear meaning (14.7%), firm specific (10.5%) or academic (8.9%).

The second objective aimed to uncover the nature, type and extent of CSR activities currently being undertaken by firms operating in the Irish sector (differentiating between small and large firms). Firstly, in relation to the nature of CSR, the majority of respondents feel CSR is undertaken on a regular basis within the firm (55.8%) and it is closely related to the business strategy of the firm (49.4). This is more common among large firms than SMEs. This finding is in favour of the argument that CSR is more formal and structured in larger firms than in SMEs (Jenkins, 2004a; Schaper and Savery, 2004).

The appointment of a CSR manager (or equivalent) was quite common in large organizations, particularly Irish subsidiaries to MNEs. In line with literature (Spence and Rutherfoord, 2001), in SMEs, the responsibility of CSR tended to fall to the CEO. General and Human Resource Managers were also quite popular for assuming the role of managing CSR, followed by Communication and Marketing Managers. In line with literature arguing that senior management have a major influence on CSR within organizations (Worthington et al, 2006) 92% of respondents feel senior management was involved in CSR to some extent and 94.7% feel that this involvement was important. Additionally, a statistically significant positive correlation was noted between level of senior management involvement and the extent to which the respondent felt the firm was socially responsible.

Almost half (49.5%) of respondents communicate their CSR efforts. This represents a much smaller percentage than found in previous studies undertaken outside Ireland (Ciliberti et al, 2008). In line with O'Dwyer et al (2005) argument that CSD is less common in Ireland than in other countries. CSD is more common among larger organizations and among Irish subsidiaries to MNEs. The main recipients of CSR communication are employees, followed by customers and the public. The most common methods of communication include intranet/ internal notices and email/ postal letters.

An abundance of motivators for undertaking CSR were outlined by respondents. It was interesting to note that ‘ethical/moral’ reasons are more common among smaller organizations, whereas ‘business’ motivators are more common among larger organizations. This is in line with research from Berman and Wicks (1999) and Curran (2005). Focusing on SMEs, the majority of small firms believe they should pay attention to their social and environmental responsibilities. The main barrier to undertaking CSR experienced by SMEs is time, followed by cost and lack of human resources. This is in line with literature (Jenkins, 2006; Roberts et al, 2006). The perception that CSR is not related to the firms activities or that it is not a concern to SMEs are not considered major barriers by SME respondents.

The next section analyzed the type and extent of CSR activities currently being undertaken by firms operating in the Irish sector. In line with literature (Agle and Mitchell, 2008; Vaaland et al, 2008) and interview findings (Sweeney, 2007), CSR activities were categorized under the headings; Environment, Customers, Employees and Community. Firstly, in relation to the environment, the most common activities include waste reduction and recycling. Energy conservation is also quite common. To a lesser extent, reduction in water consumption, air pollution and packaging and to an even lesser extent, sustainable transport.

The most common activity toward customers is commitment to providing value to customers. Responding to customer complaints in a timely manner is also quite popular and to a lesser extent, supplying clear and accurate information to customers and considering customer accessibility. The most popular activity in relation to employees is a commitment to the health and safety of employees and ensuring adequate steps are taken against discrimination. Slightly less popular activities include encouraging employees to develop skills and long term career paths and work/life balance. Lastly, in relation to the community, the most common activity involved donating to charity. Having employees volunteer on behalf of the firm and having recruitment and purchasing policies in favor of the local community are also popular activities. There was a positive correlation noted between extent of many CSR activities and firm size. There was also an indication of an industry specification in relation to many CSR activities.

The third objective aimed to assess the relationship between CSR and financial performance. While the majority of respondents (68.2%) feel CSR has no impact on financial performance, 24.6% feel it has a positive impact, compared to just 7.3% who feel CSR has a negative impact on financial performance. Belief that CSR has a positive impact on CSR is least common among smaller organizations. 61.4% of respondents feel the financial implication of CSR are obtained in the long term. The relationship between CSR and financial performance is returned to in more detail in the next chapter, in which the relationship is tested using structural equation modeling.

Chapter Seven: Structural Equation Modeling: Theory & Analysis

7.1 Introduction

From a review of current literature and findings from initial stages of the research, a model of the relationship between CSR and financial performance has been developed and will be tested in this chapter using Structural Equation Modelling (SEM). The thirty year debate surrounding the relationship between CSR and financial performance remains ongoing, while SEM has been previously employed in CSR research; it has not yet been used to test this relationship, in spite of Rowley and Berman's (2000) recommendations to do so.

This chapter is outlined as follows; firstly, an introduction to structural equation modelling (SEM) is provided including an outline of the main advantages and disadvantages of the technique. The necessary data screening for SEM is outlined, followed by a review of the main steps of SEM. Next, an analysis of the development process for the scales of the model is outlined before the findings of the proposed model are discussed.

7.2 Structural Equation Modeling (SEM)

'The three golden rules… are test, test and test' (Hendry, 1980: 403).

The development of methods of analysis involving structural equation models with latent variables has provided researchers considerable means to construct, test and modify theories (Anderson and Gerbing, 1982). Structural Equation Modelling (SEM) represents a well known component of the methodological arsenal of the social sciences (Bollen and Long, 1993). It is a comprehensive statistical approach to testing hypotheses about relationships among observed and latent variables (Hoyle, 1995). It assesses whether a sample covariance matrix is consistent with a hypothesised model. Byrne (1994) defines SEM rather vaguely as a statistical methodology that takes a hypothesis-testing (i.e. confirmatory) approach to multivariate analysis. While Ullman (1996) defines SEM in such a way so as to set it aside from all other multivariate techniques; he describes it as a multivariate procedure that allows examination of a set of relationships between one or more independent variables, either continuous or discrete, and one or more dependent variables, either continuous or discrete.

SEM represents an extension of other multivariate techniques, most notably, factor analysis and multiple regression analysis. Hair et al (1998:583) highlights this point in defining SEM as a 'multivariate technique combining aspects of multiple regression and factor analysis to estimate a series of intercorrelated dependent relationships simultaneously'. SEM's closest analogy is multiple regression analysis, which can be seen as a special case of SEM in which only measured variables are used and there is one independent variable only; independent variables are assumed to be correlated and error in measurement is not taken into account (Fassinger, 1987).

In comparison to other statistical analytical techniques such as factor and regression analysis, SEM is a relatively young field. The roots of SEM go back to the 1920s, when Sewell Wright attempted to solve simultaneous equations to disentangle genetic influences across generations (Maruyama, 1998). Yet several years passed before SEM began to receive widespread attention from social science researchers. The increasing complexity of research questions in the social and behavioural sciences and the appearance of flexible user-friendly computer software, especially with the advent of Windows applications (Marcoulides and Hershberger, 1999) has increased interest in SEM (Hoyle, 1995; Raykov and Marcoulides, 1999; Kelloway, 1998) and it has been argued to be the pre-eminent multivariate technique (Hershberger, 2003; Kaplan, 2000). This strong growth coincides with the growth of the *Structural Equation Modelling Journal*, founded in 1994 (Kaplan, 2000).

From the beginning, the utility of SEM as a tool for analytic social scientists soon became apparent and spread to other fields (Wolfe, 2003). In recent years, SEM has become increasingly popular in psychology, education, the social and behavioural science (Fan et al, 1999), biology, economics, medicine, marketing (Raykov and Marcoulides, 2000), psychology (Bollen, 1990), demography and even genetics (Hair et al, 2006). It has also been used in fields related to this research including consumer behaviour (Jarratt, 2000) and ethical decision-making (Shaw and Shiu 2002). Johnson and Greening (1999) used SEM to test the effects of institutional investors and various governance devices on CSR. They found that organisations with higher equity ownership by pension funds and organisations with higher levels of outside director representation had higher levels of CSR. They argued that the main advantage of this technique is that it allows simultaneous testing of all relationships in one model and thus better understanding of relationships between components. Rowley and Berman (2000) have argued that SEM may be an appropriate method to measure the relationship between CSR and financial performance; however this has not yet been done.

7.2.1 Advantages and Limitations of SEM

The attractiveness of this technique stems from its advantages over other multivariate techniques. SEM provides researchers with a comprehensive means for assessing and modifying theoretical models (Anderson and Gerbing, 1988). The primary reason for adopting SEM is the ability to frame and answer increasingly complex questions about data (Kelloway, 1998). SEM takes into account measurement error in the variables (Raykov and Marcoulides, 2000; Ullman, 1996; Schumacker and Lomax, 2004) and enables the researcher to specify structural relationships among the latent variables (Bollen and Long, 1993; Smith, 2004) thus producing more accurate representations (Islam and Faniran, 2005). This represents one of the main advantages of SEM over path analysis in which exogenous variables are measured without error, an assumption which is unlikely to be true in reality (Tabachnick and Fidell, 2007). In addition, SEM allows for more general measurement models than traditional factor analysis. Thus SEM can be viewed as a more powerful alternative to multiple regression and factor analysis (Fassinger, 1987; Ghasemi, 2009).

The most prominent advantage of SEM and that which sets it apart from all other techniques is the fact that SEM allows for the consideration of simultaneous equations with many dependent variables (Smith, 2004; Bollen and Long, 1993; Shook et al, 2004). Other multivariate techniques share a common limitation in that they can examine only a single relationship at a time (Hair et al, 2006), while SEM, on the other hand is the only statistical technique that allows for the simultaneous analysis of a series of structural equations (Smith, 2004).

Maruyama (1998: 4) quite rightly questions 'what is the catch? The method sounds both interesting and promising. Why isn't everyone using it?' In spite of the clear advantages over other techniques and ever increasing popularity, SEM has not escaped criticism. It has been argued that SEM is a very complex and difficult procedure to use (Fassinger, 1987; Anderson and Gerbing, 1988). Kelloway (1998) argues that some researchers have questioned whether or not the payoff from using SEM is worth mastering a sometimes esoteric and complex literature. SEM is more demanding of the researcher than any other multivariate technique (Hair et al, 2006). A unique requirement of SEM for example is the specification of the model that is to be analysed (Maruyama, 1998; Raykov and Marcoulides, 2000). This is carried out by the researcher and represents an important stage in the SEM process (Diamantopoulos and Siguaw, 2000).

The most common criticism of SEM is that the technique cannot test the directionality of relationships (Kelloway, 1998). Correlation does not indicate causation, as Hopkins (2003) notes, if more storks are flying around and there happens to be more babies born, this does not mean the storks were in any way involved in the birth of the babies. It is a common misconception that SEM provides statistical evidence of a causal link between variables. Directional arrows in path diagrams are incorrectly interpreted by some as indicating that directionality has been tested (Asher, 1976; Hoyle, 1995; Hair et al, 2006).

7.3 LISREL

Due to the mathematical complexities of estimating and testing the proposed assertions, computer programs are a necessity in the application of SEM (Raykov and Marcoulides, 2000; Ullman, 1996). In sharp contrast to the sparseness of appropriate computer programs by which to implement SEM programs in the 1970s and 1980s, researchers now-a-days have several SEM programs from which to choose (Byrne, 2001). Because it was one of the first programs available and because it was, for a long time an option in the popular SPSS computer packages, LISREL is probably the most well known program. Shook et al (2004) conducted a meta analysis of strategic management studies that utilise SEM and reported LISREL to be the most common software package with 72% of studies using this package.

It was at the Madison conference that Joreskog (1973) first presented the LISREL model (Wolfe, 2003) representing the first SEM program developed for wide distribution. Its popularity spread and soon it became synonymous with the methodology itself (Fassinger, 1987; Dillon et al, 1987; Hair et al, 2006; Raykov and Marcoulides, 2000). Hair et al (2006) describes it as a truly flexible model for a number of research studies (cross-sectional, experimental, quasi-experimental and longitudinal). LISREL offers residual diagnostics, several estimation methods and many model indices. LISREL stands for LInear Structural RELationships (Diamantopoulos and Siguaw, 2000). It has a companion package called PRElis which is designed as a pre-processor for LISREL because it is not able to perform pre-analytic and supplementary tasks associated with the analysis of SEM models (Byrne, 2001).

Although the LISREL model remains basically the same as when it first appeared in the early 1970s, subsequent revisions of the computer program have incorporated developments in statistical and programming technology to arrive at the current version of LISREL (Diamantopoulos and Siguaw, 2000). Diamantopoulos (1994) argues that the claim made by the authors of LISREL (Joreskog and Sorbom, 1989) that it was not written for mathematical statisticians is not the most accurate of statements. In an effort to make the LISREL program more user-friendly, a new command language was introduced termed SIMPlis which is intended to simplify both the creation of the input files and the manner by which results are reported in the output file. SIMPlis commands are formulated using everyday English and there is no need to comprehend either the various LISREL models and sub models or the Greek and matrix notations (Byrne, 2001).

7.4 Data Screening

Structural Equation Modelling is a correlation research method, therefore missing data; outliers, nonlinearity and non-normality of data affect the variance-covariance among variables and thus affect SEM analysis. According to Schumacker and Lomax (2004: 34) 'Data screening is a very important first step in structural equation modelling'. The following section outlines the data used for analysis, initially considering sample size and variable type before discussing the importance of and methods of dealing with missing data, outliers, non-normality and nonlinearity.

7.4.1 Sample Size

When planning research that will utilize SEM, sample size is an important consideration to bear in mind (Jackson, 2003). While the technique does not use individual observation, sample size plays an important role in the estimation and interpretation of SEM results (Hair et al, 2006). There is universal agreement among researchers that larger samples provide more stable parameter estimates, however, there is no agreement as to what constitutes an adequately large sample size (Raykov and Marcoulides, 2000). As such, the question of sample size is a deceptively difficult one to answer (Jackson, 2003). While Darlington (1990) argues that it would be very difficult to conduct the technique with fewer than 50 cases, Kline (2005) considers sample sizes under 100 to be untenable in SEM. Similarly, Hoyle (1995) recommends a sample size of 100-200 and Kelloway (1998) recommends 200 observations. In an empirical investigation of the effect of sample size on the stability component patterns, Guadagnoli and Velicer (1988: 274) concluded that ‘a sample size of 150 observations should be sufficient to obtain an accurate solution’. Hutcheson and Sofronion (1999) recommend between 150 and 300 cases, with 150 recommended when there are few highly correlated variables. The sample size of this study of 222 respondents falls within these recommendations.

Hair et al (2006) caution that sample size is not a clear cut rule of thumb and sample size may need to be increased if the model suffers from specification error or departures from normality. One may also consider the estimation process chosen, the most common method, ML (Maximum Likelihood) requires a minimum sample size of 100-150, when the sample increases above 400-500 the method becomes too sensitive and almost any difference is detected, as a result almost all goodness of fit tests indicate poor fit (Hair et al, 2006).

7.4.2 Latent and Observed Variables

Researchers are often faced with the difficult situation that the concepts of interest are not directly measurable; a common occurrence in many areas of psychology and sociology. Examples of concepts that cannot be measured directly include intelligence, satisfaction, quality of life, locus of control, depression (Raykov and Marcoulides, 2000) personality and sex appeal (Diamantopoulos and Siguaw, 2000). In such circumstances, the researcher can collect data on variables likely to be indicators of the unobservable variables (MacLean and Gray, 1998).

Latent variables refer to those variables that are not directly measurable, also called constructs or factors; they are measured indirectly by their respective indicators (observed variables) (Hoyle, 1995; Smith, 2004; Diamantopoulos and Siguaw, 2000; Islam and Faniran, 2005; Kelloway, 1998). Most researchers use multiple indicators as it is likely that a single observed variable will contain quite unreliable information about the construct (Raykov and Marcoulides, 2000). According to Fornell (1983) and

Schumacker and Lomax (2004) when a latent variable has only one indicator, it is necessary to assume that the variable is measured without error and this assumption is incorrect. Three indictors are regarded as acceptable, four or more is recommended, with 5 to 7 representing an upper limit (Hair et al, 2006).

7.4.3 Factor Analysis

Factor analysis attempts to determine which sets of observed variables share common variance-covariance characteristics that define latent variables. It is a statistical technique that seeks to reproduce the data by as few factors as possible. The researcher must determine whether to use exploratory factor analysis (EFA) or confirmatory factor analysis (CFA). CFA seeks to statistically test the significance of a hypothesised factor model developed by the researcher. EFA, on the other hand involves the researcher exploring which variables relate to factors and seeking to find a model that fits the data. The main difference between these types of analysis lies in the way the communalities are used. In CFA it is assumed that communalities are initially one, in other words, CFA assumes that total variance of the variables can be accounted for by means of its components (or factors) and hence there is no error variance. On the other hand, EFA does assume error variance and thus communalities have to be estimated (Field, 2005). While, theoretically, EFA is more correct but more complicated, it has been argued that the solutions from CFA differ very little from EFA techniques (Field, 2005).

When conducting confirmatory factor analysis it is recommended that data screening should be carried out in which the correlation matrix is analysed to eliminate variables that don't correlate with any other variables or that correlate very highly with other variables (Field, 2005). In addition, sample size must be assessed to ensure it is large enough (Tabachnick and Fidell, 2007). A sample size of 222 is in line with most recommendations of sample size (Kline, 1998; Hoyle, 1995; Kelloway, 1998).

Field (2005) also recommends analysing the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test of sphericity. The KMO statistic varies between 0 and 1. A value of 0 indicates that the sum of the partial correlations is large relative to the sum of correlations, indicating diffusion in the pattern of correlations and hence FA is likely to be inappropriate. A value of 1 indicates that patterns of correlations are relatively compact and so factor analysis should yield distinct and reliable results. Barletts test of sphericity examines the correlation matrix. The null hypothesis is that all variables are noncollinear; therefore a value of .05 or less indicates factor analysis is appropriate.

7.4.4 Missing Data

The statistical analysis of data is affected by missing data. A complete data set is a key requirement of SEM; unfortunately most research studies will invariably contain some missing data. A researcher has a number of options when coping with missing data. The researcher has the options of deleting subjects who have missing values, replacing the missing data values and using robust statistical procedures that accommodate for the presence of missing data. SEM software programs have many options for dealing with missing data. 'Listwise deletion' deletes all subjects with missing data on any variable. This method can dramatically reduce sample size which can result in inefficient parameter estimates. It can also lead to bias if deleted respondents differ significantly to those that contain complete data (Malhotra, 1988).

'Pairwise deletion' deletes all subjects with missing data on only the variables used for analysis. This could lead to different sample sizes for statistical estimates. 'Mean substitution methods' substitutes the mean for missing values in a variable and works best when there is only a small number of missing data. A more recent approach in LISREL is Full Information Maximum Likelihood (FIML); this matches variables with incomplete data to variables with complete data to determine a missing value. Providing a more sophisticated method of dealing with missing data, Schumacker and Lomax

(2004) recommend this procedure be used in SEM. This is similar to the Expectation Maximisation (EM) missing value analysis of SPSS. This is the method chosen for this research.

7.4.5 Outliers / Linearity/ Normality

Outliers are extreme values on either the independent (X variables) or dependent (Y variables) variables or both. Outliers can occur as a result of observation errors, data entry errors, instrument errors based on layout or instructions or actual extreme values. Because outliers affect statistical analysis they must be explained, deleted or accommodated. Outlier analysis was conducted using Mahalanobis Distance (D^2), Cooks and Leverage values, while a small number of outliers were identified; no action was taken at this point.

Secondly, SEM is a linear procedure. Thus a frequent assumption when using SEM methodology is that the relationships between observed variables are linear (Raykov and Marcoulides, 2000; Fornell, 1983). Linearity means that there is a straight line relationship between variables. To the extent that nonlinear relationships are present, SEM will under-estimate the relationship.

Thirdly, the assumption of normality is the most fundamental assumption in multivariate analysis. Most of the estimation techniques used in SEM assume the data has been drawn from a continuous and multivariate normal population (Ullman, 1996; Kaplan, 2000). Multivariate normality refers to the shape of the data distribution for an individual metric variable and its correspondence to the normal distribution (Hair et al, 2006). The simplest diagnostic test for normality is a visual examination of the histogram that compares the observed data values with a distribution approximating the normal distribution (Hair et al, 2006). A histogram of standard residuals should show roughly a normal curve. In addition to a graphical examination of the data, it is also possible to statistically examine the data's normality.

SPSS calculates the Skewness and Kurtosis for each variable. Skewness is an index that reflects the symmetry of a univariate distribution. Kurtosis has to do with the shape of the distribution in terms of its peakedness. An extreme value for either measure indicates that the data is not normally distributed; extremes values for skewness and kurtosis are values greater than +3 or less than -3. Under normality, the univariate skewness and kurtosis coefficients should be zero (Raykov and Marcoulides, 2000). Violation of this assumption can seriously invalidate statistical hypothesis-testing such that the normal theory test statistic may not reflect an adequate evaluation of the model being studies (Byrne, 2001). Even small departures from multivariate normality can lead to large differences in the chi square test, undermining its utility. Chi square values are inflated, which corresponds to a lower model fit, biasing toward a Type I error, rejecting a model that should not be rejected. However, maximum likelihood estimation is not as sensitive to non-normality as previously thought (Anderson and Gerbing, 1988). Skewness and Kurtosis tests indicate that the data used in this research can be taken to be normally distributed.

7.5 SEM Steps

There are five basic steps involved in all SEM analyses: model specification, model identification, model estimation, model testing and model modification (Schumacker and Lomax, 2004). Each of these steps is outlined in this section.

7.5.1 Model Specification

Model specification involves the researcher developing a theoretical model. This is a vital first step in SEM (Schumacker and Lomax, 2004). This process must be guided by a combination of theory and empirical results from previous research (Hair et al, 2006; Fornell, 1983; Bollen and Long, 1993), although the role of informed judgement, hunches and dogmatic statements of belief should not be discounted (Kelloway, 1998).

In particular, attention must be paid to include all relevant variables and only those variables that are relevant. If the theoretical model is not consistent with the true model the theoretical model is said to be misspecified and lacks validity. This may occur if the researcher failed to include an important variable or an important parameter or alternatively, if an unimportant parameter or variable was included in error (Schumacker and Lomax, 2004).

Having developed the theoretical framework of the model, the next step is to illustrate this in a path diagram. A path diagram represents a pictorial portrayal of all relationships in the model (Hair et al, 1998; Hoyle, 1995; Raykov and Marcoulides, 2000). It is a graphical representation of how the various elements of the model relate to one another (Diamantopoulous and Siguaw, 2000) and acts as an intuitively appealing (Dillon et al, 1987) essential first step in the SEM process (Fassinger, 1987). While it is not a formal requirement of SEM, construction of a path diagram offers benefits that are too important to ignore (Diamantopoulos, 1994). Specifically, the system of hypotheses contained in the model is much more easily comprehended in visual form than in either verbal or mathematical terms. A path diagram may also help improve the conceptualization of the model by drawing attention to omitted links and/or excluded variables (Diamantopoulos, 1994), therefore decreasing the possibility of specification error (Diamantopoulos and Siguaw, 2000). Thus, path diagrams not only enhance the understanding of structural models, but substantially contribute to the creation of the correct input files (Raykov and Marcoulides, 2000).

Path models adhere to certain common drawing conventions that are utilized in SEM models. The observed variables are enclosed by boxes or rectangles. The relationships between the latent variables and their corresponding indicators are represented by arrows which originate at the latent variable and end at the indicators. Each indicator is also associated with an error term representing ‘errors in measurement’. The error terms associated with the endogenous variables represent ‘error in equations’ and indicate that the dependent variables in the model are not perfectly explained by the independent variables. A curved double headed line between two independent variables indicates covariance.

7.5.2 Model Identification

In SEM it is crucial that the researcher resolve the identification problem prior to the estimation of parameters (Schumacker and Lomax, 2004). Broadly speaking, the problem of identification revolves around the question of whether one has sufficient information to obtain a unique solution for the parameters to be estimated by the model (Diamantopoulos and Siguaw, 2000; Kelloway, 1998). Identification determines whether it is possible to find unique values for the parameters of the specified model (Bollen and Long, 1993; Goldberger and Duncan, 1973). It concerns the correspondence between the information to be estimated (the free parameters) and the information from which it is to be estimated (the observed variances and covariances) (Hoyle, 1995).

Models can be under-identified, just-identified or over-identified (Kelloway, 1998). A model is considered *just identified* if it has only one estimate for each parameter and thus generates zero degrees of freedom (Maruyama, 1998). A just identified model will always provide one unique solution that will be able to perfectly reproduce the correlation matrix (Kelloway, 1998); however, the solution is uninteresting because it has no generalizability (Hair et al, 2006).

When the number of unknowns exceeds the number of equations, a model is said to be *under identified* and has negative degrees of freedom (Maruyama, 1998; Kelloway, 1998). When a model is underidentified it is impossible to determine unique values for the model coefficients (Kaplan, 2000), instead, there can be any number of acceptable parameter estimates and the selection of one set of values over another becomes entirely arbitrary (Diamantopoulos and Siguaw, 2000). Raykov and Marcoulides (2000) provide a straightforward example; suppose one is considering the equation a+b=10, one solution could be a=5, b=5 or a=9, b=1. There is no way of determining the values of a and b because one is dealing with two unknown variables (a and b) and one known variable (one equation). An underidentified model implies that there is not enough empirical information to allow its unique estimation and its estimation should not be relied upon.

The most appealing situation is one in which there are more indicators than unknown variables and thus the model is *over identified* and has positive degrees of freedom (Maruyama, 1998). Only models that are identified can be estimated (Ullman, 1996). In an over-identified model, there are a number of possible solutions, and the task is to select the one that comes closest to explaining the observed data within some margin of error (Kelloway, 1998).

Hoyle (1995) cautions that determining the identification status of a model can be difficult. Providing some guidance, Raykov and Marcoulides (2000) urges researchers to simply count the number of parameters in the model and subtract this from the number of non-redundant elements in the sample correlation matrix, determined as follows: $P (P + 1) / 2$, where P = the number of observed variables in the model. The resulting difference is referred to as the degrees of freedom. If positive, the model is considered to be identified (Hair et al, 2006).

7.5.3 Model Estimation

The purpose of estimation is to generate numerical values for free parameters within the model that produces the implied matrix Σ such that the parameter values yield a matrix as close as possible to the sample covariance matrix S. The estimation process involves the selection of a particular fitting function to minimise the difference between Σ and S. Several fitting function or estimation procedures are available and include: unweighted least squares (UWLS), maximum likelihood (ML), generalized least squares (GLS) and weighted least squares (WLS) (Raykov and Marcoulides, 2000). While the UWLS method was initially the most common technique, it was quickly supplanted by ML method (Hair et al, 2006).

Described as an important breakthrough in the estimation of the parameters in SEM (Kaplan, 2000), ML soon became the most common method (Anderson and Gerbing, 1988; Hoyle, 1995; Anderson and Gerbing, 1982). ML is so popular that researchers equate LISREL with ML (Kelloway, 1998), it is the default estimation method in LISREL 8.8. ML makes estimates based on maximum probability (likelihood) that the observed covariances are drawn from a population assumed to be the same as that reflected in the coefficient estimates. That is, ML chooses estimates which have the greatest chance of reproducing the observed data (Pampel, 2000). Moreover, ML estimation is accompanied by a whole range of statistics which can be used to assess the extent to which the model is in fact consistent with the data (Diamantopoulous and Siguaw, 2000). The method assumes multivariate normality (Fornell, 1983) although it remains robust to minor deviations (Raykov and Marcoulides, 2000; Hoyle, 1995). With more serious deviations from normality, the weighted least squares method can be used as this technique is insensitive to the assumption of normality, however it requires a large sample (Kelloway, 1998) and the calculation of an asymptotic covariance matrix.

7.5.4 Model Testing

Once the parameter estimates are obtained for a SEM model, the next step for the researcher is to determine how well the data fit the model (Schumacker and Lomax, 2004). Assessing whether a specified model 'fits' the data is one of the most important steps of SEM (Yuan, 2005) as it determines whether the model being tested should be accepted or rejected. Model fit refers to the extent to which a hypothesized model is consistent with the data (Diamantopoulos and Siguaw, 2000). Goodness of fit under SEM is defined by Hair et al (2006) as the degree to which the actual/observed input matrix is predicted by the estimation model. A model is said to fit the observed data to the extent that the covariance matrix it implies is equivalent to the observed covariance matrix (Hoyle, 1995). The process of estimation results in an implied covariance matrix Σ which is as close as possible to sample covariance matrix S; the closer Σ is to S, the better the fit of the model (Diamantopoulos and Siguaw, 2000). Model fit represents one of the most commented (Kelloway, 1998) and controversial (Shook et al, 2004) areas of SEM.

If the model does not fit the data (i.e. the observed covariance matrix is statistically different from the covariance structure of the model) either the model or the data should be rejected (Fornell, 1983). The issue of fit assessment has been a subject of great interest and debate since the very inception of SEM (Bollen and Long, 1993). It is a very broad and complex area (Raykov and Marcoulides, 2000) and represents a major challenge facing theory developers and researchers (Bone et al, 1989). Unlike many statistical procedures that have a single, most powerful fit index (e.g. F test in ANOVA) in SEM there are an increasingly large number of model fit indices (Schumacker and Lomax, 2004), determining the tests that best suit the model is a matter of the researcher’s discretion. As such, there is a possibility that researchers report only those fit measures which fall within the acceptable range i.e. those that support their proposed model (Smith, 2004). It must also be remembered that model fit indices provide no guarantee whatsoever that a model is useful, fit indices actually provide information on a models lack of fit and in no way reflect the extent to which the model is plausible (Diamantopoulos and Siguaw, 2000). Even if a model fits well, data can never confirm a model, they can only fail to disconfirm it and other, equal or better fitting models may exist (Maruyama, 1998).

Fit Indices

Assessing the fit of a specified model is one of the most important elements of SEM (Yuan, 2005), it determines whether the proposed model should be accepted or rejected (Hu and Bentler, 1999). To aid researchers a number of fit indices have been developed. According to Fan et al (1999) and Bollen and Long (1993) an ideal fit index should possess three characteristics; it should (1) range from zero to one with zero indicating lack of fit and one indicating perfect fit, (2) be independent of sample size and (3) have known distributional properties to assist interpretation. However, one such index does not exist (Raykov and Marcoulides, 1999). Assessment of model fit under SEM is a relative process and fit measures are continually evolving (Smith, 2004). It is unnecessary and unrealistic to include every index included in the programs output. There are unclear guidelines to researchers when choosing among such indexes (Fan et al, 1999) as such it is common practice to use multiple tests when evaluating and reporting overall model fit (Cheung and Rensvold, 2002; Bollen and Long, 1993; Daily and Johnson, 1997).

The most common test of model fit is the chi square (χ^2) goodness of fit test (Hoyle, 1995). It has been reported by many previous structural equation modelling studies (Dukerich et al, 2002; Hoskisson et al, 2002; Golden et al, 2000) and particularly in the area of CSR (Johnson and Greening, 1999). This is a test of a null hypothesis that the model is plausible in the population (Fassinger, 1987). A significant chi-square indicates the rejection of the null hypothesis, suggesting that the model is not plausible in the population. Goodness of fit indices usually represent indexes ranging from zero to one, with zero indicating a complete lack of fit and one indicating perfect fit. With regard the chi square test, zero indicates perfect fit and large numbers indicate extreme lack of fit, as such the chi square test has been referred to as a *lack of fit* test (Mulaik et al, 1989).

Goodness of fit tests tend to be quite sensitive to sample size. This is especially true for the chi square test (Maruyama, 1998). For a given degree of specification error, the chi-square ratio will increase as the sample size gets larger (Bollen and Long, 1993), since the chi-square variate is a direct function of sample size, the probability of rejecting any model increases as sample size increases (Bentler and Bonnett, 1980). When sample size becomes very large, the chi square test increases in sensitivity and becomes impractical (Cheung and Rensvold, 2002; Kelloway, 1998). Similarly, a poor fit based on a small sample may result in a non-significant chi square implying one should accept the model (Kenny and McCoach, 2003).

In recent years attention has focused on the development of alternative indices (Kaplan, 2000), motivated at least partly by sensitivity of the Chi Square index to sample size

(Fan et al, 1999; Kelloway, 1998). The sheer number of fit indices precludes a detailed discussion of each one. Instead a subset of the main indices is considered. The Root Mean Square Error of Approximation (RMSEA) focuses on the discrepancy between the model and population covariance matrices per degree of freedom. According to Diamantopoulos and Siguaw (2000: 85) RMSEA is 'generally regarded as one of the most informative fit indices'. RMSEA has been reported by many previous structural equation modelling studies (Hoskisson et al, 2002; Golden et al, 2000; Ghasemi, 2009) and particularly in the area of CSR (Johnson and Greening, 1999). An RMSEA value of .05 or less is indicative of good fit. Values between .05 and .08 are considered reasonable, values between .08 and .1 are considered mediocre while values greater than .1 indicate poor fit (Diamantopoulos and Siguaw, 2000). More recently, Steiger (2007) argued a cut off point of .07 is considered acceptable.

The Goodness of Fit Index (GFI) is an absolute fit index, which directly assesses how well the covariances predicted from the parameter estimates reproduce the sample covariances (Diamantopoulos and Siguaw, 2000). The GFI is a measure of the proportion of variance and covariance that the proposed model is able to explain. It ranges from zero to one with one indicating a perfect fit and zero indicating a complete lack of fit (Raykov and Marcoulides, 2000). A score of .9 or higher indicates good fit (Kelloway, 1998). However, values of .8 or higher are considered acceptable (Hu and Bentler, 1999). This fit index has been reported by many previous structural equation modelling studies (Young-Ybarra and Wiersema, 1999; Kroll et al, 1999; Hoskisson et al, 2002) and particularly in the area of CSR (Johnson and Greening, 1999).

The Root Mean Squared Residual (RMR) is a measure of residual variance, reflecting the average amount of variances and covariances not accounted for by the model (Diamantopoulos, 1994). The lower bound of the index is zero and low values are taken to indicate good fit, however, it is difficult to define a low score, LISREL has therefore provided the Standardised Root Mean Squared Residual (SRMR), which has a lower bound of zero and an upper bound of one, generally values below .05 are interpreted as indicating good model fit (Kelloway, 1998). These indices have been reported by many previous structural equation modelling studies (Hoskisson et al, 2002; Sethi and King, 1994; Wong and Birnbaum-More, 1994; Golden et al, 2000) and particularly in the area of CSR (Johnson and Greening, 1999).

The Normed Fit Index (NFI) compares chi square values of the proposed model to a null model (an extreme model in which there is no relationships among any variables). Again results range from zero to one with one indicating perfect fit and zero denoting a complete lack of fit (Raykov and Marcoulides, 2000; Kaplan, 2000). This fit index has been reported by many previous structural equation modelling studies (Young-Ybarra and Wiersema, 1999; Dukerich et al, 2002; Golden et al, 2000).

The tests considered here are overall fit measures, providing summary measures of model fit (Raykov and Marcoulides, 2000), considering such tests, Diamantopoulos (1994) argues that if any of the overall measures indicate that the model does not fit the data well, it does not provide any indication of what is wrong with the model or which part of the model is causing the problem. Adding to this Raykov and Marcoulides (2000) highlight that it is possible for a proposed model to be seriously misspecified in some parts but fit very well in others and an overall fit measure may indicate the model is plausible. Such criticism highlights the need for component fit models. Components of the model refers to specific aspects, such as the R squared of estimations, the magnitudes of coefficient estimates, whether the estimates are the correct sign and the presence of improper solutions or other unusual results (Bollen and Long, 1993). The t value provided in LISREL output is computed by dividing the parameter estimates by their respective standard error, this is then compared to a tabled t value of 1.96 at the .05 level of significance (Schumacker and Lomax, 2004). Paths with t values below 1.96 are considered weak and can be deleted if necessary (Ghasemi, 2009). According to Bollen and Long (1993) researchers should always examine the components of fit along with the overall fit measures.

7.5.5 Model Modification

If the fit of the implied theoretical model is not as strong as desired (which is often the case with initial models) then the next step is to modify the model and subsequently evaluate this modified model (Schumacker and Lomax, 2004). This represents one of the most controversial aspects of SEM (Kelloway, 1998). Modifications can be made by linking the indicators to the latent variable from fixed to free or vice versa, allowing or constraining correlations among measurement errors or allowing or constraining correlations among latent variables (Diamantopoulos and Siguaw, 2000). This process is known as model modification (Hoyle, 1995; Kelloway, 1998). This is done to improve the model; this implies a better fitting model and/or more parsimonious model which is substantively more interpretable. Drawing attention to the latter point, Diamantopoulos and Siguaw (2000: 102) argue model modification; however tempting should be firmly resisted unless 'a clear and well founded interpretation can be offered'.

To assist the process most SEM software provides Modification Indices for each fixed parameter. This value indicates the minimum improvement that could be obtained in the chi square value if that parameter were fixed for estimation (Fassinger, 1987). Providing a slightly different approach, the Wald Index indicates how much a proposed model's chi square would increase if a particular parameter were fixed to zero (Raykov and Marcoulides, 2000). Another method is to examine the residual matrix, the differences between the observed covariance matrix S and the model implied covariance matrix Σ, referred to as fitted residuals in LISREL. They should be small in magnitude and should not be larger for one variable than another. Large values overall signify general model misspecification whereas large values for single variables indicate misspecification for that variable only (Schumacker and Lomax, 2004).

One must be conscious not to allow testing and revising of models to become a procedure completely determined by statistical results devoid of theoretical underpinnings (Asher, 1976; Shook et al, 2004). According to Kelloway (1998) there are examples of researchers adding substantively uninterruptable parameters to a model to improve the fit in the model. Brannick (1995) goes so far as to argue that model respecification should not be done at all. Theoretical considerations, therefore, must guide model modifications (Anderson and Gerbings, 1988), because adjusting a model after initial testing increases the chance of making a Type I error. Blind use of modification indices can lead researchers astray from their original substantive goal (Raykov and Marcoulides, 2000).

7.6 Reliability and Validity

A vitally important stage is to assess the reliability and validity of scales developed for this research. Shook et al (2004) carried out an analysis of SEM studies published in strategic management journals and found cause for concern in relation to the reporting of reliability and validity. According to the authors 'confidence in SEM study's findings depends on a solid foundation of measures with known and rigorous properties. Yet, little attention has been paid to reliability and validity' (Shook et al, 2004: 400).

Solely relying on t-tests has been criticised and in response Fornell and Larcker (1981) have developed two tests to assess reliability. The first is a measure of Composite Reliability; this test assesses internal consistency and thus is analogous to coefficient alpha. Coefficient alpha, although the most common measure of reliability has several limitations, for example, it wrongly assumes that all items contribute equally to reliability (Bollen, 1989). According to Shook et al (2004) composite reliability represents a better choice, it draws on the standardised loadings and measurement error for each item, however, the authors study found that only 20% of SEM studies that they analysed reported composite reliability scores. According to Bagozzi and Yi (1988) composite reliability should exceed .6. This is calculated as follows:

$$\frac{(\text{Sum of standardised loadings})^2}{(\text{Sum of standardised loadings})^2 + (\text{Sum of indicator measurement error})}$$

The second test by Fornell and Larcker (1981) is Average Variance Extracted, while similar to composite reliability; this measure indicates the amount of variance that is captured by the construct in relation to the amount of variance due to measurement error. Shook et al (2004) found that only 10% of studies examined reported average variance extracted scores. Results should exceed .5 (Diamantopoulous and Siguaw, 2000), if not, then the variance due to measurement error is greater than the variance due to the construct. This is calculated as follows:

$$\frac{\text{(Sum of squared standardised loadings)}}{\text{(Sum of squared standardised loadings)} + \text{(Sum of indicator measurement error)}}$$

Content validity refers to the degree to which elements of a measurement instrument are relevant to and representative of the targeted construct for a particular assessment purpose (Netemeyer et al, 2003). It can be enhanced through precise construct definition and conceptualisation and by ensuring experts agree that items are reflective of the overall construct.

Discriminant validity refers to the degree to which measures of different model dimensions are unique (Sethi and King, 1994) it requires that a measure does not correlate too highly with measures from which it is suppose to differ (Netemeyer et al, 2003). A common method for assessing this is to determine whether the correlation between two variables is significantly less than 1. The second method states that if the average variance extracted is greater than the square of the correlation between two latent variables then discriminant validity has been obtained (Fornell and Larcker, 1981).

7.7 Control Variables

Finally, before turning to the scale development stage of the model assessment, it is important to note that control variables, which might affect the results of the assessment of certain relationships, need to be included. By not including important control variables, a study is open to the possibility that factors other than CSR could influence the financial performance measure (Wagner and Wehrmeyer, 2002). The most common control variables previously included in the assessment of the relationship between CSR and financial performance are size and industry. A similar approach was taken by Lerner and Fryxell (1994) and Karake (1998) who controlled for industry and size. In line with the European Union definition of an SME (European Commission, 2002), firms size is categorised as small (less than 50 employees), medium (51 – 250 employees) and large (more than 251 employees) firms. Industry has been categorised into three groups, group A (IT, Legal & Consulting and Marketing), Group B (Manufacturing & Waste Management and Construction & Transportation) and Group C (Retail, Finance and Healthcare). Further details of this breakdown can be found in section 6.2.1.1 and 6.2.1.2.

According to Fry and Hock (1976) failure to control for firm size is a grave mistake. They argue that size contributes to the ability of a firm to absorb the financial consequences of CSR. Trotman and Bradley (1981) in an early study found firm size, measured by both sales volumes and total assets, to be significantly associated with CSR disclosure. Moore (2001) found a strong positive correlation between firm size and CSR from a sample of just eight firms. Burton and Goldsby (2008) also argued that company size can have an effect on CSR, company size was measured by number of employees.

Mittal et al (2008) argue studies of CSR and financial performance need to control for industry. Many studies have found the financial outcomes of CSR vary across industries (Park and Lee, 2009). According to Moore (2001: 204) ‘comparing the social performance of an oil company, where environmental and employee safety issues are likely to be paramount, with a high street retailer in effect makes no sense’. The need to control for industry was also noted in a recent study by Sweeney and Coughlan (2008).

The next sections outline the development of the constructs of the model. Firstly, attention is given to the development of the CSR measurement scale, which represents an important contribution of the current research. Previous measures of CSR have been criticised and it is well acknowledged that CSR is an extremely difficult concept to measure (Karake, 1998). Following this, the scale development for the business benefits of CSR including financial performance are discussed.

7.8 Measuring CSR

"Some things, of course, are easier to measure than others. The more difficult ones are sometimes forgotten, overlooked or simply dismissed as not worth measuring"

(Leduc, 2001: 33)

Rowley and Berman (2000) question the need to uncover the relationship between CSR and financial performance. According to Carroll (2000) this is a vitally important area of research if CSR is to be granted due recognition in business, it is only then that 'we will become business school blue bloods' (Carroll, 2000: 469). In a similar line of thought Wood and Jones (1995: 234-5) argues that 'CSR/CSP would be supported by managers and their decision making process if only it could be shown that companies can 'do good and do well' or even better that they can 'do good by doing better'. However, it is clear that CSR is an extremely difficult concept to measure (Karake, 1998; McGehee et al, 2009) due mainly to the lack of a universally accepted definition of the concept (Morimoto et al, 2004).

For years, people wanting to measure and report real performance in CSR have been frustrated over one area in particular, the apparent impossibility in making any kind of real objective measurement of CSR (Baker, 2006; Turker, 2009a).The measurement of CSR employed by researchers has received a great amount of criticism (Maignan and Ferrell, 2001; Hopkins, 2003; Waddock and Graves, 1997). According to Griffin (2000), Davenport (2000) and Turker (2009a) a common set of CSR measures are needed by both academic researchers and businesses that want to assess corporate social impacts, unfortunately this does not exist. Much of the literature has documented many of the problems associated with empirical CSR research, but few valuable remedies have been offered (Rowley and Berman, 2000), as argued by Philips et al (2003: 482) 'finding fault with an existing theory or model is easier than creating and defending an alternative'.

It is a fundamental problem that there is no agreed upon definition of CSR (Clarkson, 1995). Without an accepted definition of CSR, researchers lack a foundation for measuring the concept (Davenport, 2000) and it becomes extremely complex (Mitnick, 2000) and difficult (Curran, 2005; Backhaus et al, 2002). According to Davenport (2000) the lack of common CSR measures has kept progress in the area to a very slow pace.

As suggested by Wu (2006), differences in findings might result from the lack of consistency in the literature regarding the CSR concept, there is no agreed upon definition of CSR and as such studies are measuring different things, as Barry and Elmes (1997: 429) suggest when they quote novelist Wallace Martin's quote 'by changing the definition of what is being studied, we change what we see; and when different definitions are used to chart the same territory, the results will differ'. Similarly, Windsor (2001) argues that the absence of a specific definition leaves responsibility open to conflicting interpretations.

Another problem plaguing CSR research is the lack of consistent measures used in previous studies (Moore, 2001; Waddock and Graves, 1997b). According to Ullman (1985), Maignan and Ferrell (2001), Carroll (2000) and Curran (2005) the conflicting findings of this type of research are mainly due to inconsistent and sometimes questionable measures of CSR. There is no general agreement on the measurement of CSR (Hopkins, 2003). This research will briefly review the most common measures of CSR before outlining the method chosen for this research.

The most popular method of measuring CSR is the reputation index (most notably Fortune and KLD reputation indices). This method involves knowledgeable observers rating firms on the basis of various dimensions of CSR. According to Karake (1998) the most important disadvantage of this method is the degree of subjectivity inherent in the ranking. The validity of independent expert's ratings rests on the expertise of the assessors and the accuracy of the information available to them (Balabanis et al, 1998). It is not clear what shapes the formation of reputations (Herremans et al, 1993). Liston-Heyes and Ceton (2009) argue that Fortune and KLD reputation rankings are often unrepresentative of true CSR. The Fortune rating in particular has received much criticism regarding the alleged financial halo inherent in the ratings (Brammer and Millington, 2005). Wood (1995) argues that it has long been known that the Fortune ratings are highly multicollinear with firm profitability. Providing support for this argument, Fryxell and Wang (1994) and Preston and Sapienza (1990) report high positive correlations between Fortune ratings and financial performance.

Another method of measuring CSR is the content analysis. Normally a content analysis examines the extent of the reporting of CSR activities in various firm publications, in particular the annual report. This is problematic as the information provided in the annual report is typically qualitative rather than quantitative (Beresford, 1974). A key assumption underlying such studies is that volume of disclosure signifies the relative importance of disclosures (Unerman, 2000). Additionally, the informational value of annual reports and other public corporate documents as a source of hard data can be queried, being a product of the company's public relations programme (Balabanis et al, 1998). Herremans et al (1993) and Ullman (1985) argues that social disclosure, while an interesting phenomenon, is not a reliable proxy for CSR. According to Agle and Kelley (2001: 281) 'one need not be an expert to know that actions and words are often highly divergent'. There is a tendency to overstate CSR performance in order to create a positive impression as a part of PR efforts (Ullman, 1985).

Other studies have focused on a single dimension of CSR. Generalisations about the relationship between CSR and financial performance have been made using single measures of CSR such as air pollution (Chen and Metcalf, 1980; Fogler and Nutt, 1975), illegal activity (Davidson and Worrell, 1988) and product recall (Bromiley and Marcus, 1989). An obvious disadvantage of this measurement of CSR is that it only represents one element of CSR (Carroll, 2000); such measures of CSR “inadequately reflect the breath of the construct” (Griffin and Mahon, 1997: 25) and thus lack the appropriate level of validity (Rowley and Berman, 2000). Fisman et al (2005) argue that it is misleading to make general inferences about the costs and benefits of CSR in general from such studies. Agle and Kelley (2001) advise researchers against the use of a single measure of CSR and instead to develop a plethora of constructs. Supporting this, Galbreath (2006) found some but not all stakeholder relationships positively affect financial performance.

Yet another approach to measuring CSR is the survey approach. This was the method taken by Aupperle et al (1985), Ruf et al (1998), Morf et al (1999) and Maignan and Ferrell (2000). It consists of questioning managers as to the amount of CSR activities undertaken by the firm. A key limitation of this method is the possibility of social desirability bias (respondents over estimating their CSR). However, remedies have been offered to limit the effects of such bias. This is the approach taken by this research. It was felt it is the most appropriate method to reach a large and diverse group of firms operating in Ireland.

The main problem with the methods described above is their one-dimensional nature. Researchers have generally accepted the notion that CSR is multidimensional (Carroll, 1991) but have combined the various dimensions used to measure the construct into one aggregate measure (Sharfman, 1996). However, as Griffin and Mahon (1997: 15) noted, ‘collapsing the KLD’s multiple dimensions into a unidimensional index may mask the individual dimensions that are equally important and relevant’. This point is echoed by Johnson and Greening (1999: 565) who argued that ‘combining all of the CSP dimensions into one construct is inappropriate’. Johnson and Greening (1999) study found that financial performance was positively and significantly related to the people dimension of CSR but not to the product quality. They conclude by advising future research in the area of CSR to avoid considering it as a unitary construct which should ‘advance knowledge and understanding in the area’ (Johnson and Greening, 1997: 575).

Harrison and Freeman (1999: 484) argue there is a need for 'fine grained ideas about each stakeholder group', which is what the current research aims to achieve.

7.8.1 CSR activities

Hillman and Keim (2001) argue that a more detailed approach to studying the relationship between CSR and financial performance is necessary and focus on the relationship between stakeholder management and financial performance, which, according to Berman and Wicks (1999) and Preston and Sapienza (1990) represents a neglected area of research. This is supported by the many recent theorists that define CSR through the lens of stakeholder theory (Smith, 2003; McKee, 2005)

According to Waddock and Graves (1997b) stakeholder theory represents a potentially powerful theoretical underpinning for the field of CSR research. Waddock and Graves (1997b) go on to argue that if CSR is equated with the quality of key stakeholder relationships, then it makes sense to focus on a relevant set of primary stakeholders in researching the construct which are identified as customers, employees, shareholders, the ecological environment and local community.

According to Moore (2001), Ruf et al (1998), Rowley and Berman (2000) and Neville et al (2005) stakeholder theory provides a framework for investigating the relationship between CSR and financial performance. Weber (2008) argued that it seems natural to evaluate CSR activities though stakeholder evaluation.

Davenport (2000), in her research to discover the meaning of CSR used the Delphi Method, in which expert opinions and judgements are elicited and pooled in multiple iterations to invent or discover a satisfactory course of action. Seeking the opinion of a varied group of stakeholders, Davenport (2000) found that CSR is defined by reference to key stakeholders; employees, customers, suppliers, investors, the wider community and the natural environment. Carroll (2000) also identifies these as the main stakeholder groups. Cooper et al (2001) found that a study of firms described as having a stakeholder approach reported that their main stakeholders were shareholders, customers, employees and the environment.

From an Irish perspective, Whooley (2004: 74) argues that ‘in practical terms, CSR translates into the integration of stakeholders social, environmental and other concerns into a company’s operations’. The interviews highlighted that firms tended to define CSR by reference to stakeholder theory. In describing their CSR activities, interview respondents tended to focus around the main stakeholder groups; shareholders; customers, employees, community and environment. This supports recent research on SMEs that found this group tend to define CSR as responsibility to these five stakeholder groups (Tonye, 2003).

Following the advice of Carroll (2000), this research does not seek to reinvent the wheel with regard the measurement of CSR, instead the breakdown of sections and each question within the section has been taken from previous research on the area of CSR. In line with findings from the interview analysis and recent publications of best practice of CSR in Ireland (BITC, 2005; Chambers of Commerce of Ireland, 2005) it was decided to omit shareholders as findings indicate they are not a major stakeholder with reference to CSR. In addition, in many firms (especially SMEs) managers are significant shareholders.

Thus the dimensions of CSR in this research are:

- Workplace/ employees
- Marketplace/ customers
- Community
- Environment

This is supported by much literature on the topic, including literature focusing on CSR in SMEs (Moir, 2001; Kawamura, 2003; Szwajkowski and Figlewicz, 1999; Wulfson, 2001: Robertson and Nicholson, 1996; Lepoutre and Heene, 2006; Gulyas, 2009). The present research meets Jones (1995) and Park and Lee (2009) challenge to broaden the construct of CSR to encompass multiple stakeholders. Additionally, this research takes into account the argument made by Wood (1991) and Agle and Keeley (2001) that measurement of CSR should look beyond the principles of CSR and also include the processes of CSR such as stakeholder management and the outcomes of CSR such as policies and programs.

7.9 Scale Development: CSR

The previous section has highlighted the limitations of previous measures of CSR, it became apparent that a CSR scale needed to be developed which addressed these limitations. Taking a similar approach to Golden et al (2000) a survey was designed specifically for this research. A scale development process was then undertaken which resulted in a twelve item scale for CSR. It is proposed that this scale will adequately measure each of the dimensions of CSR outlined above as Customer, Environment, Community and Employee activities. Following the advice of McGrath et al (1996) and the approach of Zaher et al (1998) to a large extent items have been taken from the literature. In addition, a number of items were also taken from the interview analysis to ensure CSR was adequately captured. Where deemed necessary, questions have been reworded by the author.

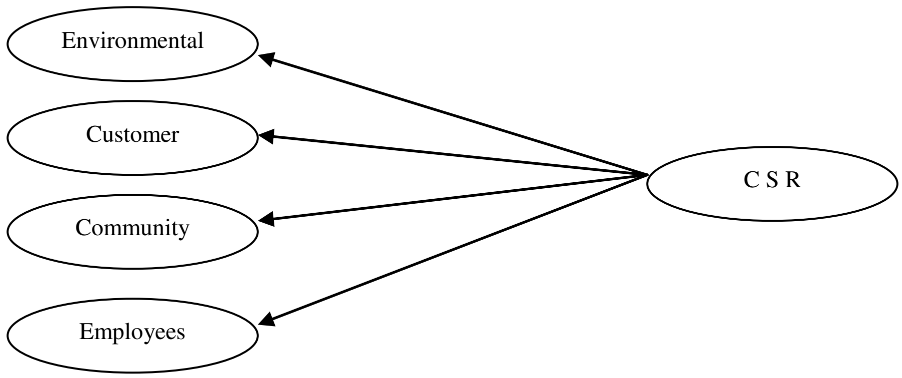

Figure 7.1: Proposed Measure of CSR

H1: *CSR is described through environmental, customer, community and employee activities.*

The following table details the items used to measure each dimension of CSR.

Table 7.1: CSR Scale Items

CSR Items	Author
Customers:	
1.To what extent does your firm supply clear and accurate information and labelling about products and services, including after sales service?	European Commission, 2005; Davenport, 2000; Ashridge, 2005; Spiller, 2000
2. To what extent does your company resolve customer complaints in a timely manner?	Gildea, 2001; European Commission, 2005; Ashridge, 2005; Clarkson, 1995; Spiller, 2000
3. To what extent are quality assurance criteria adhered to in production?	Schiebel and Pochtrager, 2003; Davenport, 2000
4. To what extent is your organisation committed to providing value to customers?	Ashridge, 2005; Spiller, 2000
	Kawanmura, 2003; Davenport, 2000; Spiller, 2000
5. To what extent has the issue of accessibility (disabled customers for example) been considered in the company?	Ashridge, 2005; Interview analysis
Employees:	
1. How does the wage rate of your firm relate to the average wage rate of the sector in which your firm operates?	Hopkins, 2003; Davenport, 2000; Clarkson, 1995; Ashridge, 2005
2. To what extent does your organisation encourage employees to develop real skills and long term careers (via Performance Appraisal and Training & Development)?	Bhattacharya and Shankar, 2004; Ashridge, 2005 Robertson and Nicholson, 1996

3. To what extent does your organisation ensure adequate steps are taken against all forms of discrimination? 4. To what extent does your organisation consult employees on important issues? 5. To what extent is your organisation committed to the health and safety of employees? 6. To what extent does your firm ensure a work/life balance among employees?	Bhattacharya and Shankar, 2004; Ashridge, 2005 Robertson and Nicholson, 1996 Ashridge, 2005; European Commission, 2005; Davenport, 2000; Spiller, 2000 Clarkson, 1995 Robertson and Nicholson, 1996 Ashridge, 2005; Beresford and Freeman, 1979 European Commission, 2005 Schiebel and Pochtrager, 2003 Davenport, 2000 Ashridge, 2005
<u>Community:</u> 1. To what extent does your firm donate to charity? 2. To what extent are staff members involved in charity volunteer work on behalf of the firm? 3. To what extent is your company actively involved in a project(s) with the local community? 4. To what extent does your company have purchasing policies that favour the local communities in which it operates? 5. To what extent does your company have recruitment policies that favour the local communities in which it operates?	 McGehee et al, 2009; Moore, 2001 Ashridge, 2005; Spiller, 2000 Davenport, 2000; Hopkins, 2003; Spiller, 2000 European Commission, 2005; Bessera and Miller, 2001 European Commission, 2005; Bessera and Miller, 2001
<u>Environment:</u> 1. To what extent is your firm involved in the following? Waste Reduction Recycling Energy conservation Reduction in water consumption Reduction of air pollution Reduction in packaging Sustainable transport 2. To what extent does your organisation consider environmental impact when developing new products (such as energy usage, recyclability, pollution)? 3. To what extent does your organisation use environmentally friendly (i.e. biodegradable/recyclable) packaging/ containers)?	 Beresford and Freeman, 1979 Schiebel and Pochtrager, 2003 Clarkson, 1995 European Commission, 2005 Ashridge, 2005; Turner, 2002; Gildea, 2001; Kawamara, 2003; Maignan and Farrell, 2000; Spiller, 2000 Clarkson, 1995 Kawamara, 2003 European Commission, 2005 Gildea, 2001

Each item has been measured using a Likert Scale of five points; this is the proposed number of points according to Netemeyer et al (2003) and includes a mid point, which is required as with some items a neutral response is a valid answer. A primary advantage of multichotomous scales is that they create more information relative to dichotomous scales with a similar number of items. Please see appendix 5b to view the research survey. As recommended by Netemeyer et al (2003) once the scales were developed a pretest was carried out, scales were analysed by the author, colleagues and supervisors to ensure clarity was obtained and ensure all relevant and no irrelevant items are included in the scale. In addition to this, a pilot study of the questionnaire was undertaken, in line with Oppenheum (1999) and de Vaus (1993) recommendations, the respondents were taken from a sample of the main population, seventeen firms completed the survey, which exceeds Saunders et al (1997) minimum requirement of ten. The results point in favour of the appropriateness of the scale items and indicate the items are a complete representation of CSR, no respondents felt there were more activities undertaken under the four headings of environment, community, customers or employees that were omitted from the survey. In line with DeVellis (2003) recommendations, the item pool generated to measure CSR included as many items as possible to increase reliability, any irrelevant items should be cancelled out when items are subjected to factor analysis (DeVellis, 2003).

Following the advice of Bollen and Long (1993) the following section involves an analysis of the measurement of CSR. In some instances a factor analysis was used to analyse the constructs initially. Due to the number of items, each construct was analysed using Principle Component Analysis (PCA) with varimax rotation to assess convergent validity. Results of these analyses are only reported where appropriate, where there are high numbers of items or where the results are different than expected from the relevant theories.

All researchers must assess the identification of their model prior to testing (Schumacker and Lomax, 2004). The problem of identification revolves around the question of whether one has sufficient information to obtain a unique solution for the parameters to be estimated by the model (Diamantopoulos and Siguaw, 2000; Kelloway, 1998).

A model is considered *just identified* if it has only one estimate for each parameter and thus generates zero degrees of freedom (Maruyama, 1998). When the number of unknowns exceeds the number of equations, a model is said to be *under identified* and has negative degrees of freedom (Maruyama, 1998; Kelloway, 1998). When a model is underidentified it is impossible to determine unique values for the model coefficients (Kaplan, 2000). The most appealing situation is one in which there are more indicators than unknown variables and thus the model is *over identified* and has positive degrees of freedom (Maruyama, 1998). Only models that are identified can be estimated (Ullman, 1996). To insure all models are over identificatied, performance indicators with three or less observed variables have been tested with a second performance indicator, for consistency this is environmental perfomrance.

7.9.1 Measure of Environmental Performance

Due to the fact that nine observed variables have been used to measure environmental performance, it was deemed necessary to conduct a factor analysis. In relation to data screening it was noted that all environment variables correlate fairly well and none of the correlation coefficients are particularly large. The determinant of the correlation matrix is .003 which is above the necessary value of .00001; therefore multicollinearity is not a problem in this data set. The KMO result for this data set was .874. Bartlett's test was significant. Thus, tests indicate factor analysis is appropriate.

Table 7.2 contains component loadings, which are the correlations between the variable and the component. According to Fabrigar (1999) variables with low reliability will have low loadings, thus highest scoring variables are of most importance.

Table 7.2: Factor Matrix: Environmental Scale Items

Factor	**% of Variance Factor 1**	**% of Variance Factor 2**
To what extent is your firm involved in Recycling	.919	
To what extent is your firm involved in Waste Reduction	.808	
To what extent is your firm involved in Energy Conservation	.728	
To what extent is your firm involved in Reduction of Water Consumption	.690	
To what extent is your firm involved in Reduction in Packaging	.666	
To what extent does your organization consider environmental impact when developing new products	.662	
To what extent does your organization use environmentally friendly packaging / containers	.581	
To what extent is your firm involved in Reduction of air pollution	.578	.646
To what extent is your firm involved in Sustainable transport	.540	.561

The first six variables represent the highest scoring variables and have been analysed in LISREL using confirmatory factor analysis. Table 7.3 details the factor loadings, standard errors, t values and R^2 results. A brief description of each is provided.

Factor Loadings

The magnitude of the factor loadings show the resulting change in a dependent variable from a unit change in an independent variable, with all other independent variables being held constant.

Standard Error

The standard error shows how precisely the value of the parameter has been estimated, the smaller the standard error, the better the estimation (Diamantopoulous and Siguaw, 2000).

T Values

The t-values are used to determine whether a particular parameter is significantly different from zero in the population, t-values between -1.96 and +1.96 indicate that the corresponding parameter is not significantly different from zero (at 5% significance level).

R Squared (R^2)

The R Squared value shows the amount of variance in the dependent variable accounted for by the independent variable(s) in the equation.

Table 7.3: Environmental Performance Measure Results

	Standardised Loadings	*Error Variance*	*t-value*	R^2
To what extent is your firm involved in Waste Reduction	.78	.47	12.83	.60
To what extent is your firm involved in Recycling	.77	.42	12.75	.60
To what extent is your firm involved in Energy Conservation	.78	.51	12.98	.61
To what extent is your firm involved in Reduction of Water Consumption	.77	.73	12.69	.59
To what extent is your firm involved in Reduction in Packaging	.70	.95	11.09	.49
To what extent does your organization consider environmental impact when developing new products	.72	1.0	11.54	.52
Model Fit: Chi Square = 92.87 (df = 9), RMSEA = .21, NFI = .91, SRMR = .061 and GFI = .88.				

It was noted that 'To what extent is your firm involved in Waste Reduction' and 'To what extent is your firm involved in Recycling' correlate highly (.83) and would seem to measure the same thing, in line with Field's (2000) recommendations one was eliminated. In addition 'To what extent is your firm involved in Reduction in Packaging' correlated highly with 'To what extent is your firm involved in Energy Conservation' (.82), as did 'To what extent does your organization consider environmental impact when developing new products' (.89). The remaining variables are in line with a study conducted by Ashridge (2005). As illustrated in table 7.4 the adjusted measure of environmental performance indicates all fit measures have significantly improved and have achieved acceptable results.

Table 7.4: Adjusted Environmental Performance Measure Results

	Standardised Loadings	*Error Variance*	*t-value*	R^2
To what extent is your firm involved in Waste Reduction	.73	.53	10.00	.54
To what extent is your firm involved in Energy Conservation	.86	.58	10.26	.56
To what extent is your firm involved in Reduction of Water Consumption	.96	1.00	9.17	.46
Model Fit: Chi Square = 14.93 (df = 13), RMSEA = .025, NFI = .98, SRMR = .03 and GFI = .98.				

7.9.2 Measure of Customer Performance

As illustrated in table 7.5 the data for the initial five observed variables used to measure a firm's performance in relation to its customers indicated quite a poor fit.

Table 7.5: Customer Performance Measure Results

	Standardised Loadings	*Error Variance*	*t-value*	*R^2*
To what extent does your firm supply clear and accurate information and labelling about products and services?	.42	1.63	5.40	.18
To what extent does your company resolve customer complaints in a timely manner?	.74	.22	9.50	.55
To what extent are quality assurance criteria adhered to in production?	.54	.69	6.98	.29
To what extent is your organisation committed to providing value to customers?	.54	.27	8.31	.41
To what extent has the issue of accessibility been considered in the company?	.28	1.15	3.50	.078
Model Fit: Chi Square = 39.89 (df = 5), RMSEA = .17, NFI = .82, SRMR = .079 and GFI = .94.				

While most respondents indicated great involvement in customer activities, a much larger percentage of respondents indicated involvement to only a small extent in the activities of supplying clear and accurate information about product and services (37.4%) and the extent of consideration of the issue of accessibility for customers (38.2%) in comparison to other activities. The activity of adhering to quality criteria in production (quality) correlated to very small extent with the two most significant activities (.25 and .23 respectively). As can be seen in table 7.6, when these three variables are removed, the adjusted measure of customer performance indicates an improved fit.

Table 7.6: Adjusted Customer Performance Measure Results

	Standardised Loadings	*Error Variance*	*t-value*	*R^2*
To what extent does your company resolve customer complaints in a timely manner?	.48	.26	6.65	.47
To what extent is your organisation committed to providing value to customers?	.50	.21	6.88	.54
Model Fit: Chi Square = 9.77 (df = 9), RMSEA = .019, NFI = .97, SRMR = .051 and GFI = .98				

7.9.3 Measure of Employee Performance

Thirdly, in relation to employee performance the data relating to the initial six observed variables used to measure the firms performance in relation to employees is provided in table 7.7.

Table 7.7: Employee Performance Measure Results

	Standardised Loadings	*Error Variance*	*t-value*	R^2
How does the wage rate of your firm relate to the average wage rate of the sector in which your firm operates?	.31	.30	4.28	.099
To what extent does your organisation encourage employees to develop real skills and long term careers?	.62	.45	9.20	.39
To what extent does your organisation ensure adequate steps are taken against all forms of discrimination?	.77	.24	12.03	.59
To what extent does your organisation consult employees on important issues?	.79	.28	12.41	.62
To what extent is your organisation committed to the health and safety of employees?	.64	.20	9.45	.40
To what extent does your firm ensure a work/life balance among employees?	.59	.57	8.67	.35
Model Fit: Chi Square = 20.39 (df = 9), RMSEA = .080, NFI = .96, SRMR = .044 and GFI = .97.				

The initial measure of employee performance indicated quite a mediocre fit. The variable measuring the wage rate of the firm relative to their industry reported an unacceptable low R squared value and was found to correlate to a very small extent with all other variables (all below .18). Considerably more respondents indicated involvement to only a small extent in ensuring work/life balance among employees (35.7%) compared with any other variables. These variables have been eliminated and the adjusted measure of employee performance in table 7.8 indicates an improved and acceptable fit.

Table 7.8: Adjusted Employee Performance Measure Results

	Standardised Loadings	*Error Variance*	*t-value*	R^2
To what extent does your organisation encourage employees to develop real skills and long term careers?	.52	.48	8.28	.36
To what extent does your organisation ensure adequate steps are taken against all forms of discrimination?	.61	.24	11.50	.61
To what extent does your organisation consult employees on important issues?	.66	.31	11.20	.59
To what extent is your organisation committed to the health and safety of employees?	.66	.19	9.38	.44
Model Fit: Chi Square = 14.93 (df = 13), RMSEA = .025, NFI = .98, SRMR = .036 and GFI = .98.				

7.9.4 Measure of Community Performance

The last element of CSR related to community performance.

Table 7.9: Community Performance Measure Result

	Standardised Loadings	*Error Variance*	*t-value*	*R^2*
To what extent does your firm donate to charity?	.72	.41	11.22	.52
To what extent are staff members involved in charity volunteer work on behalf of the firm?	.78	.58	12.46	.61
To what extent is your company actively involved in a project(s) with the local community?	.82	.56	13.23	.67
To what extent does your company have purchasing policies that favour the local communities in which it operates?	.55	1.05	8.06	.31
To what extent does your company have recruitment policies that favour the local communities in which it operates?	.45	1.21	6.43	.21
Model Fit: Chi Square = 30.64 (df = 5), RMSEA = .16, NFI = .93, SRMR = .063 and GFI = .94.				

The initial measure of community performance indicated quite a poor fit. As can be seen from table 7.9 the last two observed variables have low R Squared values. It was noted by some interview and questionnaire respondents that activities involving purchase and recruitment policies in favour of the local community are often carried out for the benefit of the firm as appose to the community as they result in more reliable product/service providers and more loyal employees, therefore their deletion in a CSR study is not surprising. The remaining variables are in line with the classification of community activities outlined in a report by Ashridge (2005). The adjusted measure of community performance as seen in table 7.10 indicated an improved and reasonable fit.

Table 7.10: Adjusted Community Performance Measure Results

	Standardised Loadings	*Error Variance*	*t-value*	*R^2*
To what extent does your firm donate to charity?	.73	.40	11.35	.54
To what extent are staff members involved in charity volunteer work on behalf of the firm?	.82	.49	13.02	.67
To what extent is your company actively involved in a project(s) with the local community?	.79	.64	12.50	.63
Model Fit: Chi Square = 31.56 (df = 13), RMSEA = .081, NFI = .97 SRMR = .037 and GFI = .96.				

7.9.5 Combined Items of CSR Measurement

After developing valid and reliable measures of the dimensions of CSR, they were combined to assess the proposed twelve item scale of CSR. It was noted in the CSR literature that size and industry can alter the type and extent of CSR and as such are important variables to control for when assessing the relationship between CSR and financial performance (Moore, 2001; Goldsby, 2008; Mittal et al, 2008; Park and Lee, 2009). As such both of these variables have been controlled for in this and all subsequent models. It was found that industry had an insignificant effect on the measurement of CSR, however size was significant with a t value of 5.40, although the R squared value is quite low (.19), deeper analysis indicates size has a significant impact on environmental performance only. The test of difference in chi square test results for the measurement model of CSR controlling for size and industry and the model of CSR that did not control for size indicated a non-significant difference (p value of .00007). this implies that both models are not statistically different and therefore that the effects of the controls are not very strong across the models tested. See appendix 7C for calculations.

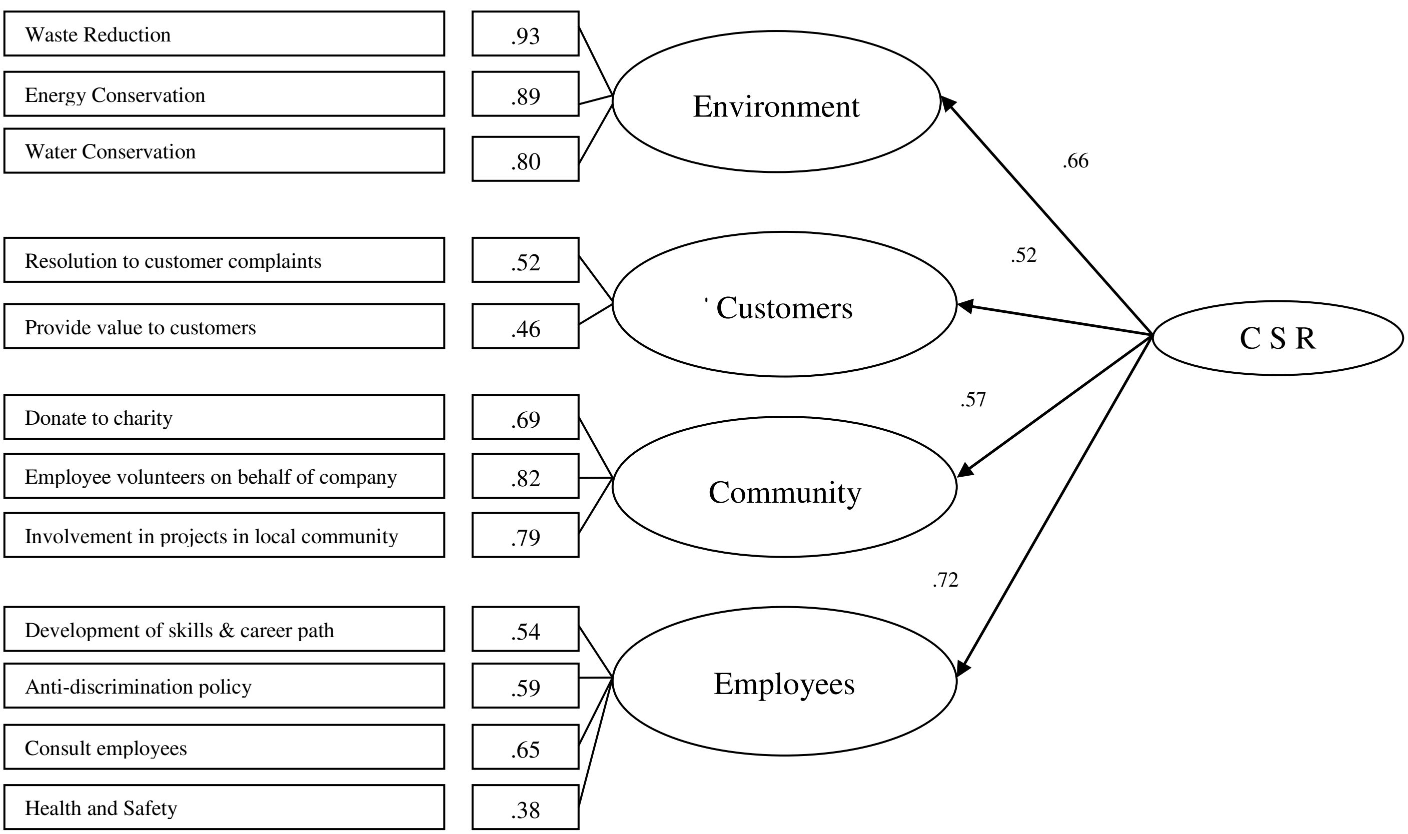

Figure 7.2: CSR Measurement Model (with controls)

Table 7.11: CSR Measure Result (with controls)

	Standardised Loadings	*Error Variance*	*t-value*	R^2
Environment	.66	.56	7.42	.44
Customer	.52	.73	4.74	.27
Employee	.72	.49	6.56	.51
Community	.57	.67	6.03	.33
Size	.50	.98	5.40	.19
Industry	.034	.54	.55	.0021
Model Fit: Chi Square = 137.80 (df = 73), RMSEA = .066, NFI = .92, SRMR = .075 and GFI = .91.				

The measure of CSR indicates a good fit. The development of a measurement tool for CSR was an important element of this research. It was important to find a model that not only 'fits' well but is in line with current literature on the topic and previous research undertaken in this area. This classification of CSR and individual variables measuring each classification is in line with current literature and previous research (Davenport, 2000; Kawamara, 2003; Bhattacharya and Sankar, 2004; Ashridge, 2005; European Commission, 2005; Lepoutre and Heene, 2006), interview findings and recent publications of best practice of CSR in Ireland (BITC, 2005; Chambers of Commerce of Ireland, 2005).

It is not surprising to note that environmental performance is a strong variable of CSR. The environment was noted as a key element of CSR in the definitions of CSR provided by respondents, particularly small firms. Many other studies have focused solely on the relationship between environmental performance and financial performance (Hitchens et al, 2003; Gimez-Leal, 2003; King and Lenox, 2001). Employee performance is also a strong measure of CSR. Likewise, other studies have focused attention on employee performance as a measure of CSR. For example, Brammer et al (2007) measured CSR using a questionnaire and defined CSR as ethical and fair treatment of staff and training and development opportunities. Responsibility to the community was also included in this measure. Indeed, the two most popular reputation indices used to measure CSR (Fortune and KLD) incorporate community activities.

Reliability and Validity

Table 7.12: Reliability Results for CSR Scale

CSR Dimension	Composite Reliability	Average Variance Extracted
Environment	.85	.65
Customer	.67	.50
Employee	.80	.51
Community	.81	.59

As evident from table 7.12, all composite reliability and average variance extracted measures exceed recommended threshold limits of .6 and .5 respectively. See appendix 7a for full calculations of composite reliability and average variance extracted. Next attention turns to the assessment of validity.

Validity was checked in a number of ways. First, in relation to content validity, operationalization of constructs drew upon an extensive review of the literature and the scale development of CSR was assessed among interview respondents at this stage of research and was supported by a CSR expert in Ireland. Second, research results were 'reality checked' by checking them with a selection of respondent organisations. There was high agreement with the results, providing evidence of the validity of the results.

7.10 Scale Development: Impact of CSR

While a lot of research points in favor of a mild positive relationship (Orlizky et al, 2003), this connection has not been fully established (Neville et al, 2005; Prado-Lorenzo et al, 2008; Park and Lee, 2009). Carroll (1991) argues that the benefits of CSR may be so deeply buried in the many different organisational relationships that it is naïve to think that we can partial out or isolate some demonstrable relationship to financial performance. According to Neville et al (2005) mixed results may be a result of incomplete specification of the relationship between CSR and financial performance. They go on to argue that, if academics are to guide practitioners in the adoption of CSR activities, a more detailed understanding of the relationship between CSR and financial performance is necessary. According to Aqueveque (2005) the literature lacks a detailed understanding of the specific links between CSR and financial performance, a gap this research will contribute to filling.

Peterson (2004) and Carroll (2000) argue that literature has moved away from measuring the correlation between a measure of CSR and a measure of financial performance and a more fruitful way of thinking may be to look at the impact of CSR on individual stakeholders. Similarly, Fombrun et al (2000) argues that a simple correlation between CSR and financial performance is impossible because CSR impacts the bottom line via intermediary routes.

Neville et al (2005) and Curran (2005) identify reputation as an intermediary variable between CSR and financial performance. Lancaster (2004) argues that reputation was the most cited advantage of CSR in a study of chief executives representing eighteen different sectors in sixteen countries. Mittal et al (2008) also cite enhanced reputation as a major motivational force behind CSR. Finding in favour of this, studies by Pfau et al (2008) and Wang (2008) revealed that CSR campaigns enhanced people's perceptions of the company's image, reputation and credibility.

Reputation is critical to corporate success (Roberts et al, 2002; Jayne and Skerratt, 2003), and an asset of great value (Caminiti and Reese, 1992) particularly in today's competitive market place (Martin, 2009). Equally, few would argue against the importance of attracting and retaining customers. The customer is a key stakeholder for any company and the attraction and loyalty of this stakeholder is fundamental to any business.

Alongside the traditional factors that mattered most to consumers; quality, value for money and financial performance; consumers are increasingly interested in the social behaviour of a firm (Dawkins and Lewis, 2003 and Knowles and Hill, 2001; Schiebel and Pochtrager, 2003; Hopkins, 2003; Vogel, 2005). Through their purchase behaviour, consumers are rewarding socially responsible firms by being more willing to purchase from the firm and in some cases accepting a higher price for such products (Baron, 2008). A study of 130,000 online survey respondents found that 53% of people are willing to pay more for socially responsible products (Williams, 2005).

Focusing on the UK market, Roberts et al (2002) found that 44% of the public believe CSR is a very important issue to consider when making purchasing decisions. In the financial press, reporting has shown that more than 70% of Irish consumers argue environmental concerns influence their purchasing to some degree; 86% agree that when price and quality are equal, they are more likely to buy from a firm that is associated with a cause (Brennan, 2002).
Pharoah (2003) reporting a study of over eight hundred CEOs and senior business figures from seven countries across Europe and North America found that while respondents viewed 'increasing sales' as the most important business objective of CSR helps to fulfil, the second most important objective was 'recruiting and retaining employees'.

A third intermediary route is that of employee attraction, motivation and retention. Consistent with the resource based view of the firm (Prahalad and Hamel, 1990) employees are now acknowledged as a vital asset in any company (Young and Thyil, 2009). It has been argued that employee's perceptions about how a corporation accepts and manages its responsibilities are often part of the employee's decision about where to work (Waddock et al, 2002). Evans and Davis (2008) and Gatewood et al (1993) also found that potential job applicant's intentions to pursue employment with a firm were related to the firm image.

The benefits are not restricted to recruitment. It has been argued that CSR can affect a firm's ability to retain, develop and motivate employees. According to Hopkins (2003) one of the most evident intangible benefits of engaging in CSR is increased employee morale, loyalty and satisfaction. Peterson (2004) and Schiebel and Pochtrager (2003) argues that there is a positive relationship between perceived CSR of an employing firm on the part of individual employees and their commitment to that organisation. Mittal et al (2008) argue that CSR can have a positive impact on production levels of employees.

Hollender and Fenichell (2004) found a positive correlation between CSR and employee retention, a higher percentage of 'truly loyal' employees were found among the people who regarded their companies as highly ethical. Employee retention acts as a significant cost reduction. The cost involved in recruiting and training staff can be quite significant. A firm that has quite a high turnover rate relative to its competitors will find itself in a relative cost disadvantage situation (Johnson, 1995). Additionally, firm can experience cost savings through the improvement of environmental performance.

Many companies have claimed to increase productivity, decrease costs and increase profitability through aggressive waste reduction and process improvement programs (Brown, 1998; Roberts and Dowling, 2002; Friedman and Miles, 2001). According to Hart (1997) environmental performance can impact financial performance in a number of ways. First, there is the opportunity to drive down operating costs by exploiting ecological efficiencies. By reducing waste, conserving energy, reusing material and recycling companies can reduce costs. Ecological sustainability also provides a basis for creating a competitive advantage as there exists a large and growing segment of consumers with preference towards environmentally friendly products, packaging and management practices.

The final intermediary variable noted in the literature relates to a firm's ability to access capital. More and more investors are choosing to invest their funds in organisations that are demonstrating a high level of CSR (Baron, 2008). CSR can also affect accessibility to loan capital. Banks are developing more effective means to understand social and environmental risks when lending, underwriting or financing projects (McGuire et al, 1988). According to Balabanis et al (1998) a firm's CSR behaviour seems to be a factor that influences banks investment decisions. Banks are implementing social and environmental management systems into decision making particularly to manage their own reputation.

Long term finance (debt and equity) provides companies with the funds required to operate and grow (Magginson et al, 2007). Thus, the ability to access capital is important for all organisations and can have a major impact on the success of the organisation (Johnson et al, 2005).

For the purpose of the proposed model to assess the relationship between CSR and financial performance, in addition to assessing the relationship between these two variables directly, each of these business benefits is measured separately with the exception of cost reductions brought about as a result of environmental performance. While this direct relationship is not measured, the relationship between environmental performance as an element of CSR and financial performance is measured. It is believed that measuring cost reduction is a complex undertaking and would require in-depth analysis of the firm's financials, most likely to be obtained through a case study approach. This is highlighted by the fact that no studies analysed in this research assessed cost reduction directly but chose other financial performance indicators such as share price (Butz and Plattner, 2000) or profit growth (Nehrt, 1996) or the opinion of managers as to how environmental performance has affected financial performance (Klassen and Whynark, 1999).

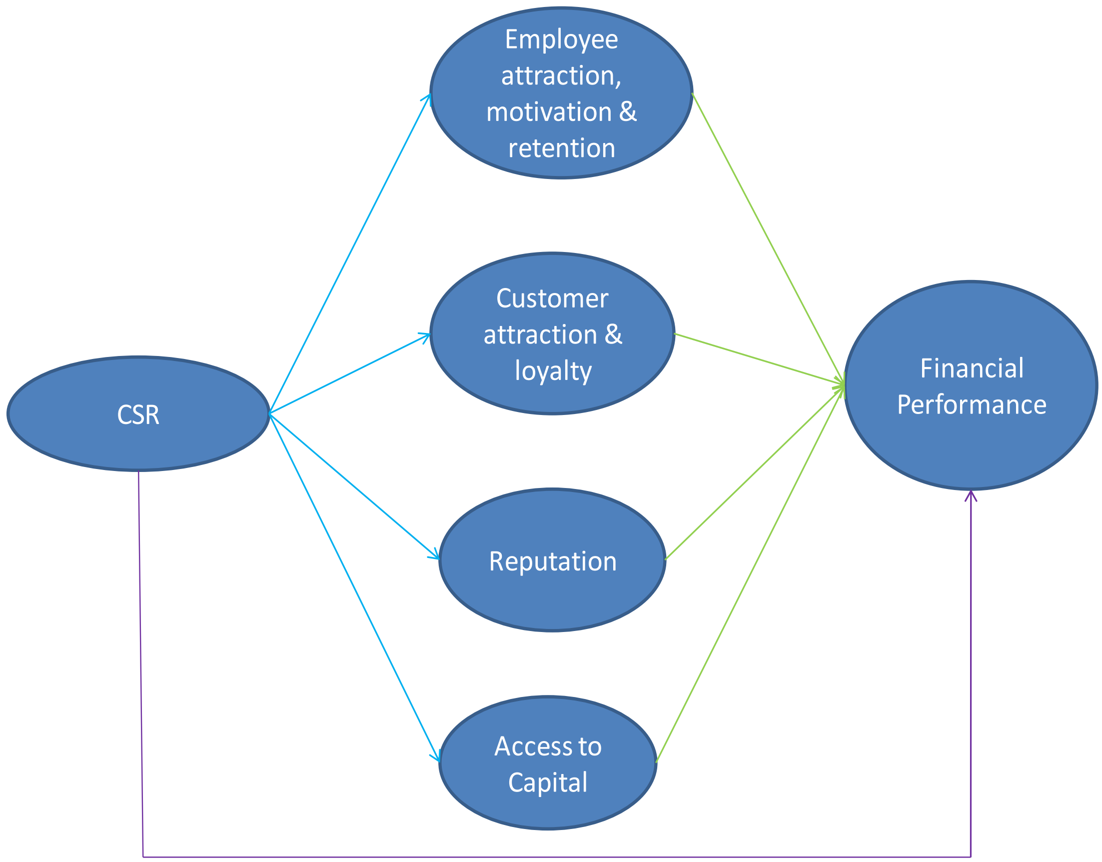

Figure 7.3: Proposed Model of CSR and Financial Performance Relationship

Each of these business benefits deemed to be brought about as a result of CSR were found to be experienced by those firms involved in the interview stage of analysis (chapter four).

Table 7.13: Business Benefits Scale Items

Items	Author
Financial Performance: 1. Has your company been profitable for the last five years (or years of existence if less)? 2. How did the net profit of the firm in 2006 relate to the previous year? 3. How did the net profit of the firm in 2006 relate to expectations? 4. How did the sales of the firm in 2006 relate to the previous year? 5. How did the sales of the firm in 2006 relate to expectations? 6. Please indicate the impact of the CSR activities of the firm on financial performance.	Items have been adapted from studies by Jude and Douglas (1998), Moore (2001) and Stanwick and Stanwick (1998)
Employees attraction, motivation and retention: 1. Please indicate the extent to which you agree or disagree with the following statement 'This firm finds it easy to attract new recruits'. 2. Please indicate the impact of CSR activities of the firm on employee recruitment. 3. What is the average length of employment (tenure) in your organisation? 4. Please estimate the percentage of current employees that were recommended to the firm by other employees. 5. Please indicate the level of motivation of employees in the firm. 6. Please indicate the impact of the CSR activities of the firm on employee retention. 7. Please indicate how you would describe the relationship between management and employees within the firm. 8. How does the level of absenteeism in the firm relate to the average of the sector in which the firm operates? 9. Please indicate the impact of the CSR activities of the firm on employee motivation.	Items have been adapted from studies by Backhaus et al (2002), MORI (2003), Peterson (2004) and Brammer et al (2003)
Customer attraction and loyalty: 1. Please estimate the percentage of new sales in 2006 that were from repeat customers. 2. Please estimate the percentage of new sales in 2006 that came about as a result of recommendation from your current customers. 3. Please estimate the percentage of current customers you would describe as loyal. 4. Please indicate the impact of the CSR activities of the firm on customer loyalty. 5. Please indicate the extent to which your organisation has experienced any of the following benefits of CSR - Increase sales - Improved customer loyalty	Items have been adapted from studies by Creyer and Ross (1997), Cowe and Williams (2000e), Gildea (2001) and MORI (2003)
Reputation: 1. Please indicate the rating you believe your customers would give you one the following criteria: Quality of products and services, Quality of staff, Environmental responsibility, and Community responsibility.	Items have been adapted from KLD measure and studies by Lewis (2001) and

2.Please indicate the rating you believe your employees would give you one the following criteria: Quality of products and services, Quality of staff, Environmental responsibility Community responsibility. 3.Please indicate the rating you believe other firms in your sector would give you one the following criteria: Financial performance, Long term investment value, Quality of products and services, Fair treatment of staff, Quality of management, Environmental responsibility, Community responsibility. 4. Please indicate the impact of the firms CSR activities on the reputation of the firm in general. 5. Please indicate the extent to which your organisation has experienced any of the following benefits of CSR - Enhanced company image	Cravens et al (2003)
Access to Capital: 1. Please indicate the extent to which you agree or disagree with the following statement 'This firm easily obtains finance from banks and other lending institutions'. 3. Please indicate the extent to which you agree or disagree with the following statement 'This firm easily obtains finance from investors'. 5. Please indicate the extent to which your organisation has experienced any of the following benefits of CSR - Improved access to capital (banks or investors)	Items have been adapted from Balabanis et al (1998) and interview analysis

7.10.1 Measure of Financial Performance

As previously outlined the measurement of CSR has received great attention in the literature, likewise, the measurement of financial performance has not been without its criticism. Studies have taken a variety of approaches to measuring the financial performance of a firm. Of the most common approaches, those deemed most appropriate from an Irish context include sales and profit increases. This approach is in line with previous research (Moore, 2001; Ogden and Watson, 1999; Nehrt, 1996; Simerly, 1994; Riemann, 1975; Ruf et al, 1998; Burton and Goldsby, 2008). Measures of financial performance rely on self reports from organisations regarding their profit and sales performance. However, high correlations have been noted between objective and subjective performance measures (Wall et al, 2004). According to Richard et al (2009) researchers should not view the choice of subjective measures as a second best alternative but should determine the most favourable measure under the particular circumstances of the research context. In the pilot test objective measures of financial performance were used and resulted in a high number of non responses to such items, in light of these concerns, subjective measures were deemed necessary in the final survey. The research survey can be found in appendix 5b.

Table 7.14: Financial Performance Measurement Result

	Standardised Loadings	*Error Variance*	*t-value*	*R^2*
Has your company been profitable for the last five?	.23	.075	3.06	.054
How did the net profit of the firm in 2006 relate to the previous year?	.58	.54	8.15	.33
How did the net profit of the firm in 2006 relate to expectations?	.83	.15	12.20	.68
How did the sales of the firm in 2006 relate to the previous year?	.58	.51	8.21	.34
How did the sales of the firm in 2006 relate to expectations?	.68	.10	9.88	.47
Model Fit: Chi Square = 63.10 (df = 5), RMSEA = .23, NFI = .80, SRMR = .085 and GFI = .90.				

As illustrated in table 7.14 the initial measure of financial performance indicated poor fit. The first variable has a very low R^2 value which may be accounted for by the fact that this question had a dichotomous scale while all others in the SEM model had a multinomial scale. The second variable also appears to be quite a weak variable. These two variables have been eliminated and fit is improved and reaches an acceptable level, as can be seen in table 7.15. Thus, the measure of financial performance used in this model focuses on sales and profits which is in line with many previous studies (for example: Moore, 2001; Stanwick and Stanwick, 1998; Burton and Goldsby, 2008).

Table 7.15: Adjusted Financial Performance Measure Results

	Standardised Loadings	*Error Variance*	*t-value*	*R^2*
How did the net profit of the firm in 2006 relate to expectations?	.84	.14	10.45	.71
How did the sales of the firm in 2006 relate to the previous year?	.48	.59	6.55	.23
How did the sales of the firm in 2006 relate to expectations?	.74	.16	9.49	.55
Model Fit: Chi Square = 16.31 (df = 13), RMSEA = .034, NFI = .97, SRMR = .038 and GFI = .98.				

7.10.2 Measure of Employee Attraction, Motivation and Retention

Initially, eight observed variables were used to measure employee attraction, motivation and retention, three in relation to attraction, four in relation to motivation and four in relation to retention. Again, factor analysis has been used to analyse the possibility of reducing the number of variables. All employee attraction, motivation and retention variables correlate fairly well with the exception of 'employee satisfaction' with correlations below .06 with all other variables and as such has been eliminated. None of the correlation coefficients are particularly large. The determinant of the correlation matrix is .007 which is above the necessary value of .00001. Both the KMO (.817) and Bartlett's test (Sig .000) indicate factor analysis is appropriate.

Table 7.16: Factor Matrix: Employee Attraction, Motivation and Retention Scale Items

Factor	**% of Variance Factor 1**	**% of Variance Factor 2**
Impact of CSR on employee recruitment	.612	
Impact of CSR on employee retention	.609	.593
Impact of CSR on employee motivation	.588	.402
Please indicate how you would describe the relationship between management and employees within the firm.	.472	
Please indicate the extent to which you agree or disagree with the following statement 'This firm finds it easy to attract new recruits'.	.435	

Table 7.16 indicates that there does not appear to be a second factor in place, the strongest variables are those that measure the impact CSR on employee attraction, motivation and retention rather than measuring employee attraction, motivation and retention in general, which may be impacted by a large number of variables in addition to CSR. Loadings below .4 have been excluded because low loadings are not meaningful. SEM analysis was carried out on the most significant variables.

Table 7.17: Employee Attraction, Motivation & Retention Measurement Result

	Standardised Loadings	*Error Variance*	*t-value*	R^2
Impact of CSR on employee recruitment	.76	.21	11.48	.57
Impact of CSR on employee retention	.79	.15	12.13	.63
Impact of CSR on employee motivation	.74	.17	11.14	.54
Model Fit: Chi Square = 9.11 (df = 8), RMSEA = .029, NFI = .98, SRMR = .036 and GFI = .99.				

Table 7.17 indicates that the strongest variables are those which analyse the impact of CSR in terms of employee attraction, motivation and retention. To focus on such measures is in line with previous research on the topic. A 1997 Walker information survey, Backhaus et al (2002) and MORI (2003) studies all involved the survey method in which respondents were asked directly of the impact of CSR on their attraction to the organisation. While Grenning and Turban (2000) provided respondents with CSR information on a firm and assessed their attractiveness to the organisation. Peterson (2004) and Brammer et al (2007) surveyed the impact on CSR on employee's commitment to an organisation and Corporate Social Responsibility Monitor (2002) carried out a survey of over 25,000 respondents which questioned the impact of CSR on their motivation and retention. This measure of employee attraction, motivation and retention indicates an improved and acceptable fit.

7.10.3 Measure of Customer Attraction & Loyalty

Initially, six observed variables were used to measure consumer attraction and loyalty. As table 7.18 indicates, LISREL reports poor results.

Table 7.18: Customer Attraction & Loyalty Measure Results

	Standardised Loadings	*Error Variance*	*t-value*	*R^2*
Percentage of new sales in 2006 from repeat customers	.13	.80	1.79	.016
Percentage of new sales in 2006 resulting from current customers recommendations	.21	1.36	2.95	.043
Percentage of current customers described as loyal	.06	.66	.87	.29
Impact of CSR on customer loyalty	.53	.26	8.07	.29
Benefit from CSR: increased sales	.96	.075	16.25	.92
Benefit from CSR: improved customer loyalty	.88	.22	14.52	.77
Model Fit: Chi Square = 163.25 (df = 9), RMSEA = .28, NFI = .63, SRMR = .18 and GFI = .80.				

It is clear that the variables measuring consumer attraction and loyalty in isolation are all very weak. Taking this on board and also keeping in mind that consumer attraction and loyalty may be impacted by a large number of variables in addition to CSR, it was decided to focus on those variables that measure the impact of CSR on consumer attraction and loyalty.

This is in line with many previous research studies that have measured the impact of CSR on consumer behaviour. For example, Carrigan and Attalla (2001) carried out a study involving two discussion groups to uncover respondent's attitude of CSR and its impact on their consumer behaviour. Moir et al (2001) used in-depth interviews to uncover the impact on consumer behaviour as a result of CSR. Webster (1975), Creyer and Ross (1997), Cowe and Williams (2000) Gildea (2001) and MORI (2003) studies all involved the survey method in which respondents were asked directly of the impact of CSR on their consumer behaviour, while Folkes and Kamins (1999) provided respondents with CSR information about a company and then assessed respondent's willingness to purchase from the firm as indicated in table 7.19. The adjusted measure of consumer behaviour indicates an improved fit.

Table 7.19 Adjusted Customer Attraction & Loyalty Measure Results

	Standardised Loadings	*Error Variance*	*t-value*	R^2
Impact of CSR on customer loyalty	.53	.26	8.03	.28
Benefit from CSR: increased sales	.93	.13	16.30	.86
Benefit from CSR: improved customer loyalty	.91	.17	15.95	.83
Model Fit: Chi Square = 18.04 (df = 8), RMSEA = .073, NFI = .98, SRMR = .04 and GFI = .97.				

7.10.4 Measure of Reputation

Originally fifteen variables were used to gain insight into the firm's reputation as held by customers, employees and other firms within the same industry. Factor analysis was employed as a technique to reduce this number. All reputation variables correlate fairly well and none of the correlation coefficients are particularly large. The determinant of the correlation matrix is .0000845 which is above the necessary value of .00001. Both the KMO (.844) and Bartlett's test (Sig .000) indicate factor analysis is appropriate.

Table 7.20: Factor Matrix: Reputation Scale Items

Factor	% of Variance Factor 1	% of Variance Factor 2
Rating you believe employees would award the firm: Environmental responsibility	.902	
Rating you believe customers would award the firm: Environmental responsibility	.878	
Rating you believe other firms in your sector would award the firm: Environmental responsibility	.874	
Rating you believe employees would award the firm: Community responsibility	.789	
Rating you believe other firms in your sector would award the firm: Community responsibility	.773	
Rating you believe customers would award the firm: Community responsibility	.709	
Rating you believe employees would award the firm: Quality products & services		.771
Rating you believe other firms in your sector would award the firm: Quality products & services		.741
Rating you believe customers would award the firm: Quality products & services		.609
Rating you believe employees would award the firm: Quality of Management		.731
Rating you believe customers would award the firm: Quality of Management		.697
Rating you believe other firms in your sector would award the firm: Quality of Management		.619
Rating you believe other firms in your sector would award the firm: Long term investment value		.607
Rating you believe other firms in your sector would award the firm: Financial performance		.539
Rating you believe other firms in your sector would award the firm: Fair treatment of staff		.473

Table 7.20 indicates the possibility of two factors inherent in the measure of reputation. One measure of reputation focuses on the reputation of the firm in relation to its environmental and community performance (social) and another measure of reputation measures the firm's reputation in terms of quality products, quality of staff, long term investment value and financial performance (business).

As expected there is a high correlation between the reputation of the firm in relation to environmental responsibility as held by customers and employees (.81), customers and other firms within the industry (.81) and employees and other firms in the industry (.81). High correlations were also found between the reputation of the firm in relation to community responsibility as held by customers and employees (.75), customers and other firms within the industry (.76) and employees and other firms in the industry (.78). As such the remaining variables of social reputation include the reputation of the firm as held by other firms in the industry in relation to environmental responsibility and community responsibility.

Also, there is a high correlation between the reputation of the firm in relation to quality products and services as held by customers and employees (.69), customers and other firms within the industry (.57) and employees and other firms in the industry (.56). High correlations were also found between the reputation of the firm in relation to quality of staff as held by customers and employees (.55), customers and other firms within the industry (.51) and employees and other firms in the industry (.42). As such the remaining variables of business reputation include the reputation of the firm as held by other firms in the industry in relation to quality of products and services, quality of management, financial performance and long term investment value.

Table 7.21: Social Reputation Measure Results

	Standardised Loadings	*Error Variance*	*t-value*	*R^2*
Rating you believe other firms in your sector would award the firm: Environmental responsibility	.81	.23	12.60	.65
Rating you believe other firms in your sector would award the firm: Community responsibility	.84	.23	13.25	.71

Table 7.22: Business Reputation Measure Results (B: Business)

	Standardised Loadings	*Error Variance*	*t-value*	*R^2*
Rating you believe other firms in your sector would award the firm: Financial Performance	.83	.15	13.61	.69
Rating you believe other firms in your sector would award the firm: Long Term Investment Value	.84	.17	13.95	.72
Rating you believe other firms in your sector would award the firm: Quality of Products and Services	.64	.20	9.69	.41
Rating you believe other firms in your sector would award the firm: Quality of Management	.57	.32	8.44	.33

Model Fit: Chi Square = 63.17 (df = 8), RMSEA = .09, NFI = .95, SRMR = .062 and GFI = .95.

As indicated in tables 7.21 and 7.22 the two measures of reputation, business and social indicate acceptable fit.

7.10.5 Measure of Access to Capital

The initial three observed variables used to measure a firm's ability to access capital have been analysed in LISREL.

Table 7.23: Access to Capital Measurement Result

	Standardised Loadings	*Error Variance)*	*t-value*	*R^2*
Please indicate the extent to which you agree or disagree with the following statement 'This firm easily obtains finance from banks and other lending institutions'.	.74	.34	5.95	.52
Please indicate the extent to which you agree or disagree with the following statement 'This firm easily obtains finance from investors'.	.76	.43	6.05	.57
Please indicate the extent to which your organisation has experienced any of the following benefits of CSR - Improved access to capital (banks or investors)	.22	.90	2.68	.05
Model Fit: Chi Square = 34.40 (df =12), RMSEA = .14, NFI = .89, SRMR = .09 and GFI = .95.				

As illustrated by table 7.23 the measurement for access to capital indicates an unacceptable fit. The final variable which assesses the impact of CSR on the firm's ability to access capital is unacceptably low and once removed, fit improves as can be seen in table 7.24.

Table 7.24: Access to Capital Measurement Result

	Standardised Loadings	*Error Variance)*	*t-value*	*R^2*
Please indicate the extent to which you agree or disagree with the following statement 'This firm easily obtains finance from banks and other lending institutions'.	.39	.50	2.03	.24
Please indicate the extent to which you agree or disagree with the following statement 'This firm easily obtains finance from investors'.	.96	.20	2.10	.91
Model Fit: Chi Square = 12.2 (df =4), RMSEA = .09, NFI = .96, SRMR = .04 and GFI = .98.				

Reliability and Validity

Table 7.25: Reliability Results of Business Benefits

CSR Dimension	Composite Reliability	Average Variance Extracted
Financial Performance	.83	.63
Employee Attraction, Motivation & Retention	.91	.77
Customer Attraction & Loyalty	.90	.76
Reputation (Social)	.86	.76
Reputation (Business)	.90	.62
Access to Capital	.74	.59

As evident from table 7.25, all composite reliability and average variance extracted measures exceed recommended threshold limits of .6 and .5 respectively. See appendix 7b for full calculations of composite reliability and average variance extracted.

7.11 CSR and Financial Performance Model Analysis

This research has employed structural equation modelling to test the direct relationship between CSR and financial performance and also the relationship between CSR and the proposed business benefits resulting from a firm undertaking socially responsible activities; improved employee attraction, motivation and retention; improved access to capital (debt and equity); enhanced reputation and improved customer attraction and loyalty. To assess each of these relationships the following hypotheses have been proposed.

H2: *There is a significant positive relationship between CSR and the ability to access capital (debt and equity).*

H3: *There is a significant positive relationship between the ability to access capital (debt and equity) and financial performance.*

H4: *There is a significant positive relationship between CSR and the ability to attract,* *motivate and retain employees.*

H5: *There is a significant positive relationship between the ability to attract, motivate and retain employees and financial performance.*

H6: *There is a significant positive relationship between CSR and the attraction and loyalty of customers.*

H7: *There is a significant positive relationship between the attraction and loyalty of customers and financial performance.*

H8a: *There is a significant positive relationship between CSR and social reputation.*

H8b: *There is a significant positive relationship between CSR and business reputation.*

H9a: *There is a significant positive relationship between social reputation and financial performance.*

H9b: *There is a significant positive relationship between business reputation and financial performance.*

H10: *There is a significant positive relationship between CSR and financial performance.*

7.11.1 CSR and Financial Performance: Direct Relationship

The first test of the relationship between CSR and financial performance assed the direct relationship between these two variables. Again, in line with literature recommendations (Goldsby, 2008; Mittal et al, 2008; Park and Lee, 2009), size and industry have been controlled for in this model. Industry had a non significant relationship with both CSR and financial performance. There was also a non significant relationship between size and financial performance; however, size had a significant difference on CSR and in particular on environmental performance as per the discussion previously on the operationalisation of the CSR construct. However, the test of difference in chi square test results for the direct relationship model controlling for size and industry and the direct relationship model that did not control for size and industry indicated a non-significant difference (p value of .000001). See appendix 7C for calculations.

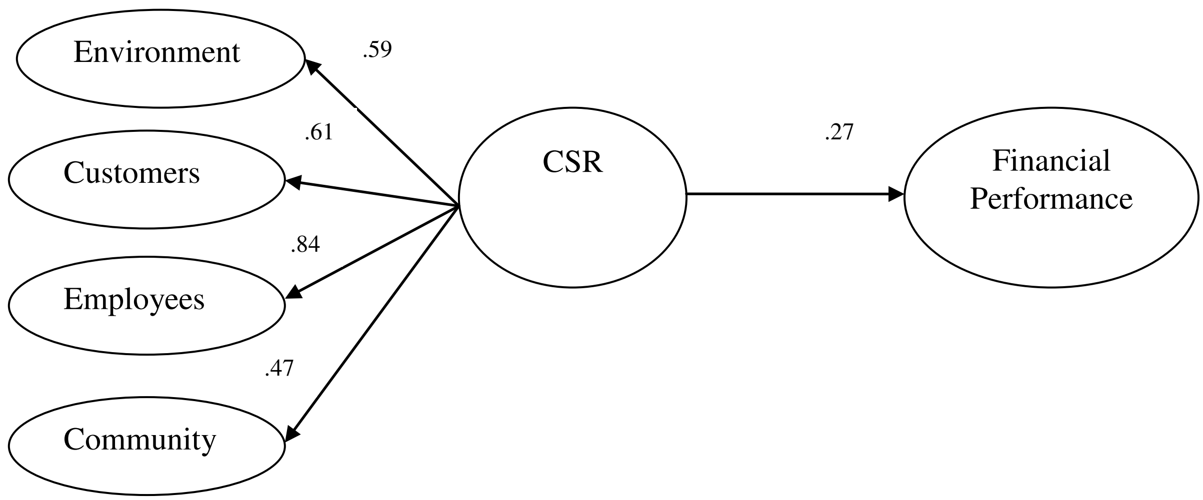

Figure 7.4: CSR & Financial Performance: Direct Relationship (with controls)

Table 7.26: Structural Equation Results: Direct Relationship (with controls)

	Standardised Loadings	*Error Variance*	*t-value*	R^2
CSR → Financial Performance	.26	.93	2.93	.069
Model Fit: Chi Square = 206.89(df =112), RMSEA = .06, NFI = .90, SRMR = .083 and GFI = .90.				

The findings indicate a weak positive relationship between CSR and financial performance. Da Rocha (2006) and Weber and More (2003) similarly found a weak positive (significant) relationship between these two variables, thus this initial finding adds little to current literature. Indeed Neville (2005) argue a more detailed understanding of the relationship between CSR and financial performance is required, which is lacking in the literature (Aqueveque, 2005). In line with Fombrun et al (2000) argument that CSR impacts financial performance through intermediary routes, the relationship between CSR and these intermediary variables is now outlined.

7.11.2 CSR and Finanical Performance: Fully Mediated Model

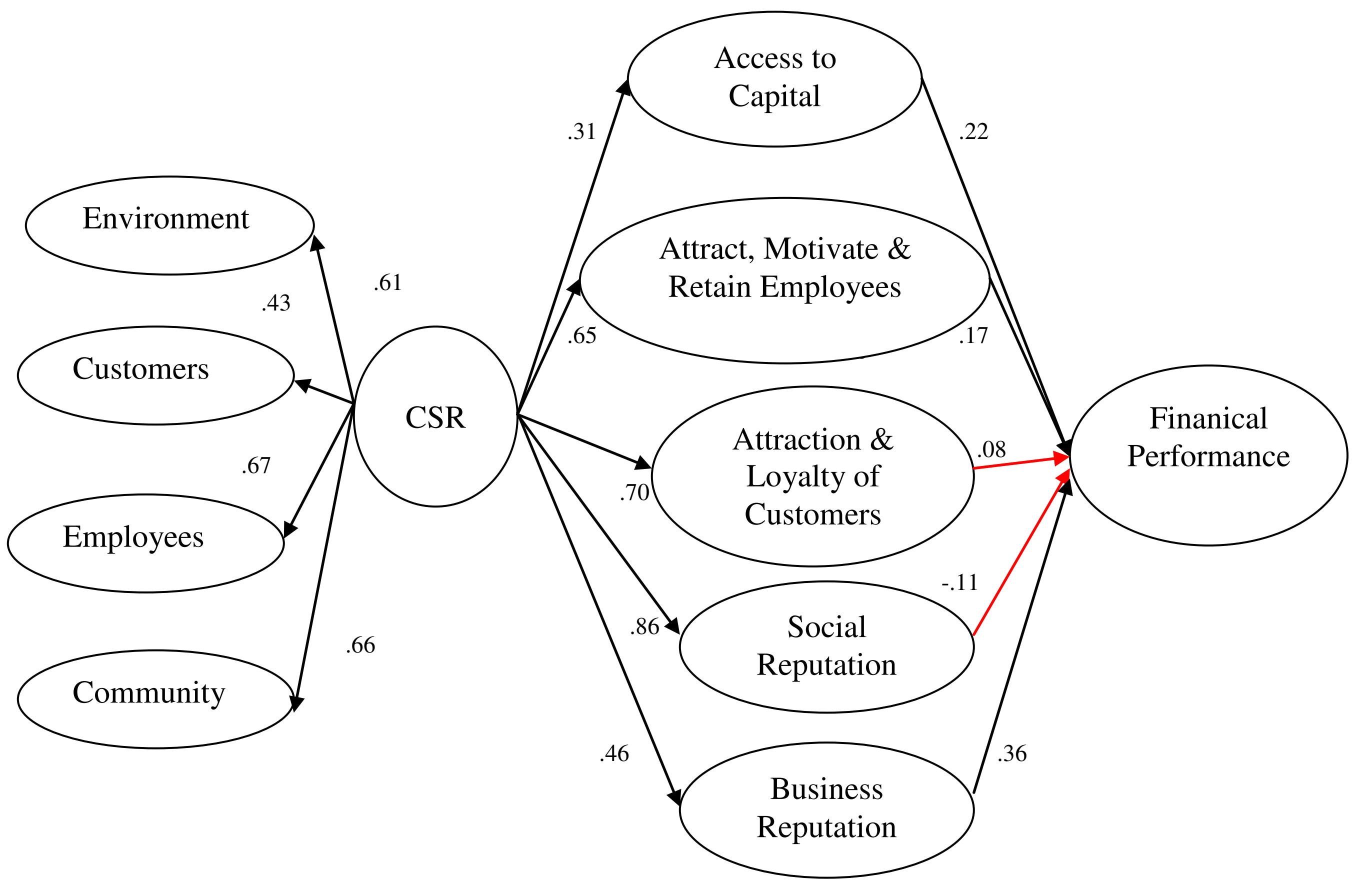

Figure 7.5: CSR & Financial Performance: Fully Mediated Model (with controls)

Note: Red arrows indicate a non significant relationship.

Table 7.27: Structural Equation Results: Fully Mediated Model (with controls)

Hypothesis Number				*Standardised Loadings*	*Error Variance*	*t-value*	*R^2*
2	CSR	→	Access to Capital	.31	.81	3.12	.19
3	Access to Capital	→	Financial Performance	.22		2.27	
4	CSR	→	Employee Attraction, Motivation & Retention	.65	.47	5.83	.53
5	Employe Attraction, Motivation & Retention	→	Finanical Performance	.17		2.13	
6	CSR	→	Consumer Attraction & Loyalty	.77	.47	6.67	.53
7	Consumer Attraction & Loyalty	→	Financial Performance	.08		1.04	
8a	CSR	→	Social Reputation	.86	.30	9.24	.70
9a	Social Reputation	→	Financial Performance	-.11		-1.35	
8b	CSR	→	Business Reputation	.46	.55	5.83	.45
9b	Business Reputation	→	Financial Performance	.36		4.52	
	Model Fit: Chi Square = 997.99 (df = 440), RMSEA = .07, NFI = .88, SRMR = .098 and GFI = .78.						

Table 7.28: CSR & Financial Performance Relationship

Relationship					
CSR	→	Access to Capital	→	Financial Performance	.31 * .22 = .07
CSR	→	Employee Attraction, Motivation & Retention	→	Financial Performance	.65 * .17 = .11
CSR	→	Customer Attraction & Loyalty	→	Financial Performance	
CSR	→	Reputation (Business)	→	Financial Performance	.46 * .36 = .17
CSR	→	Reputation (Social)	→	Financial Performance	

Both size and industry have been controlled for in this model. Overall there was very little evidence that industry has any impact on variables measuring the impact of CSR. The only significant relationship was found between industry and employee attraction, motivation and retention. Overall the impact of industry was very weak with an R squared of .042. There is a significant relationship between size and the firm's ability to access capital and also between size and the attraction, motivation and retention of employees. Results for all variables and control variables can be seen in table 7.31. It should be noted also that the test of difference in chi square test results for the fully mediated model controlling for size and industry and the fully mediated model that did not control for size and industry indicated a non-significant difference (p value of .00000). See appendix 7C for calculations.

H2: *There is a significant positive relationship between CSR and the ability to access capital (debt and equity).*

It has been argued in the literature that CSR is emerging as a key factor in helping companies access capital. 'The message is clear. If you want access to cash, Corporate Responsibility is key' (Roberts et al, 2002: 7). According to Waddock and Graves (1997a) research shows that institutional investors are favourably inclined toward companies with higher corporate social performance. This is illustrated by the growth rate of funds under Socially Responsible Investment Management, which represents a rapidly growing segment of the capital market. SRI is reported to have grown by 1000% from 1999 to 2003 and over half of analysts and two thirds of investors believe a company that emphasises its performance in CSR is more attractive to investors (Roberts et al, 2002).

Previous research has also argued CSR can affect accessibility to loan capital. According to McGuire et al (1988) banks are developing more effective means to understand social and environmental risks when lending, underwriting or financing projects. Balabanis et al (1998) argues that a firm's CSR behaviour seems to be a factor that influences banks investment decision. Banks are implementing social and environmental management systems into decision making particularly to manage their own reputation.

However, this research does not fully support the hypothesis, while the relationship was found to be positive, access to capital was found to be the weakest impact of CSR. It was noted in the questionnaire that 28% of respondents did not experience this benefit from CSR at all and only 12% had experienced it to a large extent. Similarly, 69% of respondents argued CSR has no impact on their firm's ability to access equity capital and 66.5% felt that this was the case in relation to debt capital. This is in contrast to literature on the topic and indicates that this is not a major benefit or at least is not perceived to be a major benefit from CSR to firms operating in Ireland.

H3: *There is a significant positive relationship between the ability to access capital (debt and equity) and financial performance.*

As the literature review outlined, long term finance (debt and equity) provides companies with the funds required to operate and grow (Magginson et al, 2007). Thus, the ability to access capital is important for all organisations and can have a major impact on the success of the organisation (Johnson et al, 2005) and can have an important impact on financial performance (Arnold, 2002). A positive relationship was noted between the firm's ability to access capital and financial performance.

H4: *There is a significant positive relationship between CSR and the ability to attract, motivation and retain employees.*

Support was found for this hypothesis, with a standardized coefficient of .65 there is a positive relationship between CSR activities of the firm and its ability to attract, motivate and retain employees. It was found in the survey that 74.6% of respondents indicate they have experienced 'improved employee attraction' beyond a small extent. When asked elsewhere in the questionnaire of their opinion of the impact of CSR on employee recruitment 38.8% indicated there was a positive impact 54.7% argued it has no impact and just 6.5% argued the impact was negative. This is in line with Waddock et al (2002) who argue that the CSR activities of a firm often have an influence over potential employee's decision about where to work. A 1997 Walker Information Survey revealed that 42% of respondents took into account a company's ethics when deciding whether to accept an employment offer. Turban and Grenning (2000) and Albinger and Freeman (2000) reported similar results and argue that CSR can be particularly important in attracting high quality employees.

It has been argued that there is little research to date assessing the relationship between CSR and employee commitment (Turker, 2009b). The survey also found 81.2% of respondents indicated that they have experienced 'improved employee motivation' beyond a small extent. An earlier part of the questionnaire asked respondents to indicate the impact of CSR on employee motivation while 44.1% indicated there was a positive impact, 52.3% indicated there was no impact and only 3.6% argued CSR has a negative impact on employee motivation. This is in line with Pochtrager (2003) who found a positive relationship between perceived CSR and employee commitment, similar results were obtained by Brammer et al (2007) and Turker (2009b).

71.7% of respondents claim to have experienced ‘improved employee retention’ beyond a small extent. 36.3% of respondents claimed CSR has a positive impact on employee retention in an earlier question, with 57.7% indicating it has no impact and 6.1% arguing the impact on employee retention is negative. Chatman (1991) found that employees whose values closely match that of the organization remained with the organization longer. Similarly, a study of US employees by Hollender and Fenichell (2004) found a positive correlation between CSR activities within the organization and employee retention.

H5: *There is a significant positive relationship between the ability to attract, motivate and retain employees and financial performance.*

Again support was found for this hypothesis, not surprisingly there is a positive relationship between the firm’s ability to attract, motivate and retain employees and financial performance. This is consistent with the resource based view of the firm, which suggests that sustained competitive advantage is based on the attraction, accumulation and retention of resources which are difficult to substitute and hard to imitate (Prahalad and Hamel, 1990). Attracting, motivating and retaining high quality employees is vital in today’s highly competitive environment (Glen, 2006; Young and Thyil, 2009). This represents a strategic imperative for many Irish firms (Gunnigle, 1999).

In addition, staff retention can affect financial performance as the cost involved in recruiting and training staff can be quite significant. A firm that has quite a high turnover rate relative to its competitors will find itself in a relative cost disadvantage situation. Estimates suggest that this can cost 1.5 to 2 times the annual salary of the employee who leaves the organisation (Stewart et al, 1996). However, these figures only begin to illustrate the value of retaining loyal employees. It is often the case that the people who leave are among the most productive employees (Mak and Sockel, 2001). It can also be the case that long tenured employees may take proprietary knowledge that is impossible to replace (Matrox and Jinkerson, 2005) and may have developed personal relationships with customers (Stewart et al, 1996).

H6: *There is a significant positive relationship between CSR and the attraction and loyalty of customers.*

Support was found for this relationship, with a standardised coefficient of .70 there is a positive relationship between the CSR activities of the firm and its ability to attract and retain customers. The survey found 72.5% of respondents claim to have experienced 'increased customer sales' as a result of CSR, beyond a small extent. Similarly, 73.7% claim to have experienced 'improved customer loyalty' beyond a small extent. In a separate part of the questionnaire, when asked to indicate the impact of CSR on customer loyalty, 42% of respondents indicated this impact was positive and only 2.8% argued it was negative, with 55.2% arguing CSR has no impact on customer loyalty.

This is in line with the argument made by many authors (Hopkins, 2003; Dawkins and Lewis, 2003; Knowles and Hill, 2001; Schiebel and Pochrager, 2003) that the CSR activities of a firm are an important factor influencing consumer behavior. Ruf et al (1998) found a positive relationship between improved CSR and subsequent sales. In 2003, the Co-Operative bank reported that 30% of the bank's profits can be attributed to consumers who cite the firm's ethical and ecological practices as an important factor in their relationship with the bank. A study of Irish consumers found that 70% argue environment concerns influence their purchasing behavior to some degree and 80% argued that, when price and quality are equal they are more likely to buy from an organization that is associated with a cause.

H7: *There is a significant positive relationship between the attraction and loyalty of customers and financial performance.*

A positive correlation between consumer attraction and loyalty and financial performance was noted, however, the correlation is weak and the relationship is non significant. This may indicate an error in the measurement of customer attraction and loyalty. Customer loyalty has become an important focus for many firms in recent years due to the benefits associated with retaining existing customers (McMillan, 2005). A study conducted by Hallowell (1996) found support for the hypothesis that loyalty is positively related to profitability. Reichheld and Sasser (1990) found that when a company retains just five percent more of its customers, profits increase by twenty-five to one hundred and twenty-five percent. Similarly, Gould (1995) argued that increasing customer retention by five percent can increase profitability by up to eighty percent in areas such as credit cards. According to Hill and Alexander (2000) it is widely recognised that it is much less costly and much more profitable to keep existing customers than to win new ones.

There are substantial grounds for believing that there is a link between loyalty and profitability (Rowlet and Daves, 1999). Loyalty reduces the need to incur customer acquisition costs (Rundle-Thiele and Mackay, 2001) because the firm does not have to replace as many customers who have defected (Gould, 1995). Loyal customers purchase a wider variety of produces and make more frequent purchases (Bowen and Chen, 2001). Loyal customers are typically less price sensitive (Rundle-Theide and Mackay, 2001) so the firm can make higher margins. Loyal customers may recommend the company or its products to others. A loyal customer is in essence an unpaid advocate for the firm (Gould, 1995).

H8a: *There is a significant positive relationship between CSR and social reputation.*

The strongest benefit from CSR appears to be enhanced social reputation. This was noted in the survey in which 61% of respondents indicated that they have experienced this benefit to a great or quite a great extent and only 8% of respondents indicated that they did not experience this benefit at all. When asked to indicate the impact of CSR on the firm's reputation in a separate part of the questionnaire, 56.4% argued the impact was positive and just 2.1% argued it was negative, the remainder (41.3%) felt CSR has no impact on their firm's reputation. This is in line with a study of chief executives representing sixteen countries by Lancaster (2004) which found that reputation was the most cited advantage of CSR.

H8b: *There is a significant positive relationship between CSR and business reputation.*

While there is a strong correlation between CSR and firm's reputation in terms of social and environmental performance there is a weaker relationship between CSR and the firm's reputation in terms of financial performance and long term investment value. This study has gone beyond previous research which measured reputation as a single variable. Thus, helping to provide a deeper understanding of the impact of CSR.

H9a: *There is a significant positive relationship between social reputation and financial performance*

This research found a negative relationship between the firm's social reputation and financial performance, which produced a standardized coefficient of -.11. However, the relationship is not significant. These findings in contrast to previous research that has argued there is a positive relationship between reputation and financial performance (Brammer and Millington, 2005; Roberts and Dowling, 2002) however, the division of reputation into social and business reputation has analysed the relationship in more detail to provide greater understanding of the relationship. It may be the case that there is a positive relationship between a firm's business reputation and financial performance but not between social reputation and financial performance. The findings of this research point in favor of this.

H9b: *There is a significant positive relationship between business reputation and financial performance*

It is not surprising that there is a positive correlation between the firm's reputation in terms of its financial performance and quality of products and staff (business reputation) and its financial performance; this represents the strongest connection to financial performance. The importance of reputation and the link between strong reputations and financial performance has been well documented in literature (Martin, 2009).

7.11.3 CSR and Finanical Performance: Partially Mediated Model

The third assessment model of the relationship between CSR and financial performance includes the direct relationship between the two variables and all mediating variables.

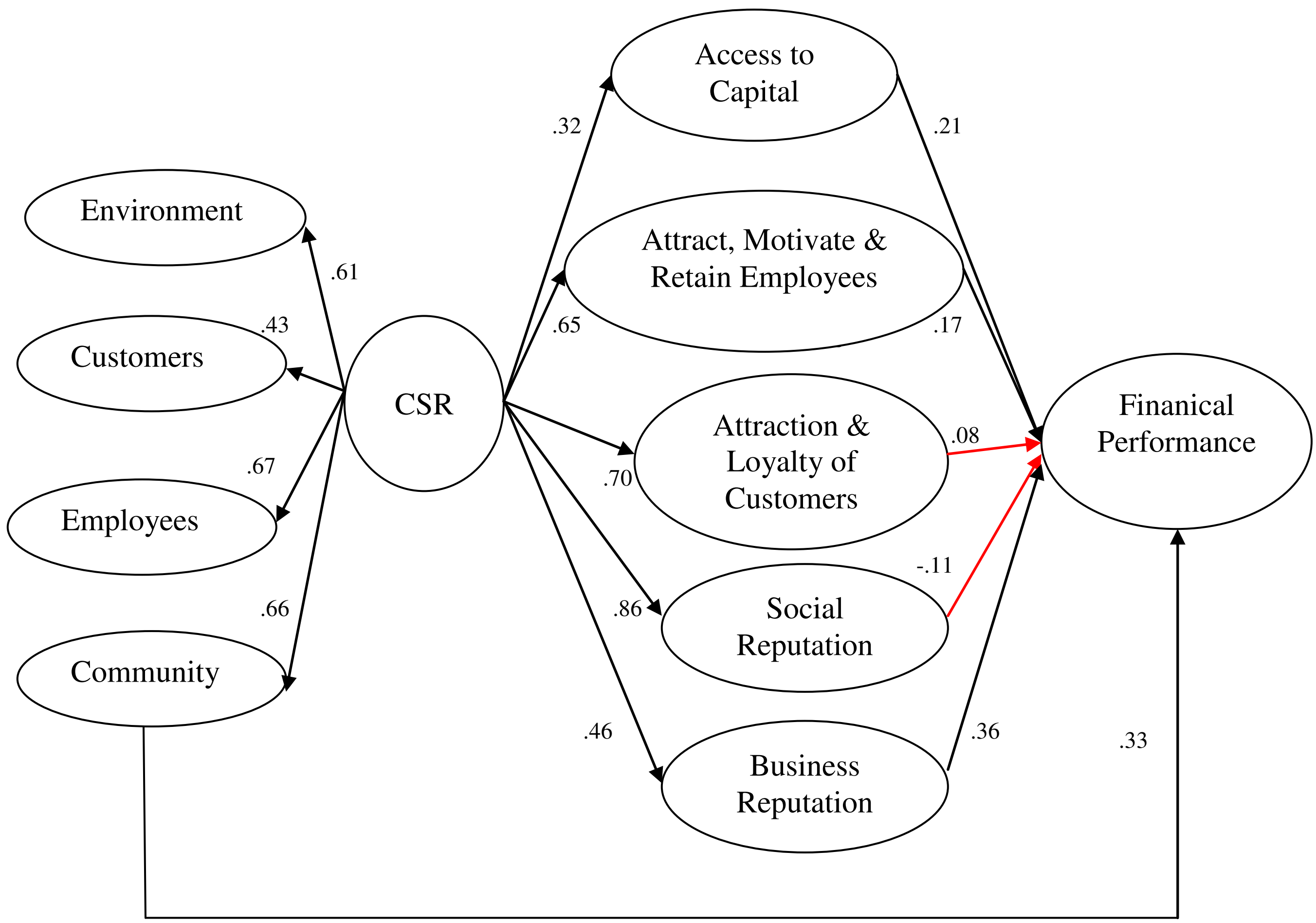

Figure 7.6: CSR & Financial Performance: Partially Mediated Model

Note: Red arrows indicate a non significant relationship.

A test of chi square difference between the partially mediated model and fully mediated model indicates no difference between these models (p value = .000). See appendix 7C for calculations.

Table 7.29: Structural Equation Results: Partially Mediated Model

Hypothesis Number			*Standardised Loadings*	*Error Variance*	*t-value*	*R* ^{2}
2	CSR →	Access to Capital	.32	.81	3.12	.19
3	Access to Capital →	Financial Performance	.21		2.21	
4	CSR →	Employee Attraction, Motivation & Retention	.65	.47	7.45	.53
5	Employe Attraction, Motivation & Retention →	Finanical Performance	.17		2.05	
6	CSR →	Consumer Attraction & Loyalty	.70	.47	6.67	.53
7	Consumer Attraction & Loyalty →	Financial Performance	.08		1.05	
8a	CSR →	Social Reputation	.86	.30	9.24	.70
9a	Social Reputation →	Financial Performance	-.11		-1.38	
8b	CSR →	Business Reputation	.46	.55	5.85	.45
9b	Business Reputation →	Financial Performance	.36		4.31	
10	CSR →	Financial Performance	.33	.89	3.45	.11
	Model Fit: Chi Square = 997.99 (df = 440), RMSEA = .07, NFI = .88, SRMR = .098 and GFI = .78.					

Table 7.30: CSR & Financial Performance Relationship

Relationship			
CSR →	Access to Capital →	Financial Performance	.32 * .21 = .067
CSR →	Employee Attraction, Motivation & Retention →	Financial Performance	.65 * .17 = .11
CSR →	Customer Attraction & Loyalty →	Financial Performance	
CSR →	Reputation (Business) →	Financial Performance	.60 * .44 = .26
CSR →	Reputation (Social) →	Financial Performance	

Again, size and industry have been controlled for in this model. As mentioned previously and outlined in table 7.31, this research has found that industry had practically no impact on the model and size has an impact on CSR (environmental performance), access to capital and employee attraction, motivation and retention. The test of difference in chi square test results for the partially mediated model controlling for size and industry and the partially mediated model that did not control for size and industry indicated a non-significant difference (p value of .00000). See appendix 7C for calculations.

Table 7.31: Control Variables

Relationship		*Standardised Loadings*	*T value*
Size	CSR	.50	5.40
Size	Access to Capital	.22	2.43
Size	Customer Attraction & Loyalty	.0014	.013
Size	Social Reputation	.18	1.48
Size	Business Reputation	-.12	-1.27
Size	Employee attraction, motivation & retention	.30	2.58
Size	Financial Performance	.040	.37
Industry	CSR	.034	.55
Industry	Access to Capital	-.047	-.7
Industry	Customer Attraction & Loyalty	-.032	-.48
Industry	Social Reputation	-.11	-1.53
Industry	Business Reputation	.044	.51
Industry	Employee attraction, motivation & retention	.17	2.13
Industry	Financial Performance	.050	.78

H10: *There is a significant positive relationship between CSR and financial performance.*

A mild positive relationship was noted between CSR and financial performance. This may be explained by the fact that CSR correlated strongly with some business benefits of CSR (social reputation, employee attraction, motivation and retention and consumer attraction and loyalty). Whereas a weaker correlation was noted between CSR and other business benefits (access to capital and business reputation). Thus, this research provides a deeper understanding of the relationship between CSR and financial performance through an analysis not only of the direct relationship but also between CSR and proposed benefits of CSR.

Galbreath (2006) study of Australian companies reported a mixed relationship between CSR as measured by the companies rating on RepuTex and financial performance as defined as Return on Assets (ROA) and Return on Equity (ROE). Mixed results have also been reported by Butz and Plattner (2000).

These findings point to the difficulty of measuring the direct relationship between CSR and financial performance. Thus, a more fine grained approach, which has been adopted in this research, has provided greater understanding of the relationship between CSR and financial performance. As can be seen from tables 7.29 and 7.30 the relationship between CSR and financial performance through business reputation is quite strong, it is also clear that there is a positive relationship between CSR and employee attraction, motivation & retention and also between employee attraction, motivation & retention and financial performance. A weaker relationship is noted between CSR and financial performance through access to capital. The relationship between CSR and financial performance through consumer behavior and social reputation have not been included in table 7.30 due to the non significant relationship found between each of these variables and financial performance.

Table 7.32: Results of Hypothesis Testing

Hypothesis	**Result**
H1: CSR is described through environmental, customer, community and employee activities.	Accepted
H2: There is a significant positive relationship between CSR and the ability to access capital (debt and equity).	Rejected
H3: There is a significant positive relationship between the ability to access capital (debt and equity) and financial performance.	Partially accepted
H4: There is a significant positive relationship between CSR and the ability to attract motivation and retain employees.	Accepted
H5: There is a significant positive relationship between the ability to attraction, motivate and retain employees and financial performance.	Partially accepted
H6: There is a significant positive relationship between CSR and the attraction and retention of customers.	Partially accepted
H7: There is a significant positive relationship between the attraction and retention of customers and financial performance.	Partially accepted
H8a: There is a significant positive relationship between CSR and social reputation.	Accepted
H8b: There is a significant positive relationship between CSR and business reputation	Accepted
H9a: There is a significant positive relationship between social reputation and financial performance.	Rejected
H9b: There is a significant positive relationship between business reputation and financial performance.	Accepted
H10: There is a significant positive relationship between CSR and financial performance.	Partially accepted

7.12 Conclusion

This chapter has reviewed the theory of Structural Equation Modelling (SEM), a multivariate technique which allows for the examination of a set of relationships between multiple independent and multiple dependent variables (Smith, 2004). LISREL, representing the most commonly used computer package for SEM (Shook et al, 2004) was employed in this research to test the relationship between CSR and financial performance directly and also to test the relationship between these two variables via intermediary routes of employee attraction motivation and retention (Waddock et al, 2002; Turban and Greening, 2000), customer attraction and loyalty (Williams, 2005; Dawkins and Lewis, 2003), enhanced reputation (Lancaster, 2004; Whooley, 2004) and easier access to capital (Roberts et al, 2002; Waddock and Graves, 1997).

This chapter outlined the approaches taken to measure CSR in previous studies and the problems attached to such approaches. Following the advice of Harrison and Freeeman (1999) a fine grained approach to measuring CSR was employed. Drawing on current literature (Agle and Mitchell, 2008; Vaaland et al, 2008) and interview findings (Sweeney, 2007), the research has developed a scale for CSR, drawing on firm activities geared toward customers, employees, the environment and community. Tests have indicated that measurement of CSR is reliable and valid and thus represent an important contribution to research. Tests also indicate that scales used to measure financial performance, employee attraction, motivation and retention, customer attraction and loyalty, access to capital and reputation are reliable and valid.

It has been noted throughout this thesis that the relationship between CSR and financial performance remains unclear (Park and Lee, 2009), despite being the most questioned area of CSR (Angelidis et al, 2008). A weak positive relationship was found between CSR and financial performance when analyzed directly. Other studies have also found a weak positive relationship between the variables (Hitchens et al, 2003; Rocha, 2006; Weber and More, 2003; Orlizky et al, 2003). With regard to the current study, it is through an analysis of the indirect relationships that insight is developed. CSR was found to have a strong positive relationship with social reputation, employee attraction, motivation and retention and consumer attraction and loyalty but a weaker relationship with other business benefits proposed to result from CSR, namely; access to capital and business reputation.

Chapter Eight: Conclusions

8.1 Introduction

The final chapter concludes the thesis; emphasis is placed on the contributions this thesis has made to the body of research on CSR. This chapter then outlines the limitations of the study and the recommendations for future research. Finally, the chapter will conclude with the managerial and practical implications of the study.

8.2 Concluding Comments and Contribution to Theory

It was discussed in the literature review that one of the factors responsible for limited conceptual understanding of CSR is the absence of a consensual definition of the concept (Perrini, 2006; Idemudia, 2008; Gulyas, 2009). The first objective aimed to determine an operational meaning of the term CSR in an Irish context (differentiating between small and large firms). It was found that familiarity with the term was high although this is believed to be inflated as respondents represent those individuals agreeing to take part in a study on CSR. While familiarity with the term was found to be more common in large firms than in smaller ones, the difference was not statistically significant across the groups. This finding points in favour of the argument that CSR is important to large and small firms (Moore and Spence, 2006). Indeed the majority of SME respondents felt that small and medium sized companies should pay significant attention to their social and environmental responsibilities.

It has been well documented in the literature that one of the factors contributing to the ambiguity of CSR is the lack of a consensus as to what the concept really means (Perrini, 2006; Panapanaan et al, 2003). While an abundance of definitions of the term CSR were provided, in line with recent literature (Pivato et al, 2008) a clear commonality within the definitions was a tendency to define CSR through the lens of stakeholder theory. This points in favour of the argument that CSR is best defined and measured through stakeholder theory (Turker, 2009). The community was the most cited stakeholder, followed by the environment in this study. Customers and employees were also noted by many respondents in their definition of CSR. Thus, this initial finding provided insight into the definition of CSR by firms operating in Ireland, it has been defiend as taking responsibility for the firm's stakeholders most notably; customers, employees, the environment and community.

While few respondents indicated that they used a term other than CSR when referring to the social and environmental activities of the firm, alternatives noted include Corporate Responsibility, Community Relations, Environmental Policy, Health & Safety Policy, Ethical Responsibility and Sustainability. The respondent's attitude toward the term provided mixed results. In favour of the term over half of respondents felt it was either 'straight forward' or 'self explanatory'. However, many felt the term was complex, firm specific, academic or has an unclear meaning. Overall respondents were aware of the term CSR and most indicated they used this term regularly when referring to the social and environmental activities of the firm.

CSR is recognised as a topic of great importance (Basu and Palazzo, 2008; Renneboog et al, 2008) and is specifically important to Irish firms (Hoven Stoh and Brannick, 1999). However, it was clear from the literature review that there is a lack of attention to, and discussion of, CSR in Ireland (O'Dwyer et al 2005). With the aim of overcoming this research gap, the second objective aimed to uncover the nature, type and extent of CSR activities currently being undertaken by firms operating in the Irish sector (differentiating between small and large firms). Firstly, in relation to the nature of CSR, the majority of respondents feel CSR is undertaken on a regular basis within the firm and it is closely related to the business strategy of the firm. It was found that the tendency to undertake CSR on a regular basis and to align it with the firm's business strategy is more common in larger firms and Chi square results indicate a significant difference. This finding is in favour of the argument that CSR is more formal and structured in larger firms than in SMEs (Jenkins, 2004a; Schaper and Savery, 2004) and indicates that this is also the case in the Irish sector.

The appointment of a CSR manager (or equivalent) was quite common in large organizations, particularly Irish subsidiaries of MNEs. It was also found that more Irish subsidiaries of MNEs felt their firm was socially responsible in comparison to Irish indigenous firms. These two findings indicate that CSR is less common and less developed in Ireland. In line with literature (Spence and Rutherfoord, 2001) on SMEs, the responsibility of CSR tended to fall to the CEO. General and Human Resource Managers were also quite popular for assuming the role of managing CSR, followed by Communication and Marketing Managers. However these latter categories were predominantly in larger organisations.

In agreement with Worthington et al (2006) who argued that senior management have a major influence on CSR within organizations, the vast majority of respondents felt senior management was involved in CSR and that this involvement was important. Additionally, a statistically significant positive correlation was noted between level of senior management involvement and the extent to which the respondent felt the firm was socially responsible. These findings indicate that, not only is senior management involvement perceieved to be of great importance by firms operating in Ireland but there is a significant postitive relationship between the involvement of senior management and the extent of involvement in CSR.

Just over half of respondents communicate their CSR efforts. This represents a much smaller percentage than found in previous studies undertaken outside Ireland (Ciliberti et al, 2008). In line with O'Dwyer et al (2005) argument that CSD is less common in Ireland than in other countries, CSD is more common among larger organizations and among Irish subsidiaries of MNEs. This indicates missed opportunity of Irish indigenous firms that are involved in CSR activities but not communicating them. This research found that the main recipients of current CSR communication are employees, followed by customers and the public. In addition, the most common methods of communication include intranet/ internal notices and email/ postal letters.

Next, the research aimed to uncover the factors motivating firms to be involved in CSR. An abundance of motivators were outlined by respondents. It was interesting to note that ‘ethical/moral’ reasons are more common among smaller organizations, whereas ‘business’ motivators are more common among larger organizations. This points in favor of earlier findings from Berman and Wicks (1999) and Curran (2005) and indicates that motivational factors leading to the involvement of CSR differ among SMEs among large firms operating in Ireland.

Providing insight specific to the SME sector, the majority of small firms believe they should pay attention to their social and environmental responsibilities. The main barrier to undertaking CSR experienced by SMEs is time, followed by cost and lack of human resources. This corresponds with previous literature (Jenkins, 2006; Roberts et al, 2006). The perception that CSR is not related to the firms activities or that it is not a concern for SMEs are not considered major barriers by SME respondents.

In line with literature (Agle and Mitchell, 2008; Vaaland et al, 2008) and interview findings (Sweeney, 2007), CSR activities were categorized under the headings; Environment, Customers, Employees and Community. Firstly, in relation to the environment, the most common activities include waste reduction and recycling. Energy conservation is also quite common. To a lesser extent; reduction in water consumption, air pollution and packaging is carried out by firms. The most common activity toward customers is commitment to providing value to customers. Responding to customer complaints in a timely manner is also quite popular and to a lesser extent, supplying clear and accurate information to customers and considering customer accessibility.

The most common activities in relation to employees are a commitment to the health and safety of employees and ensuring adequate steps are taken against discrimination. Slightly less popular activities include encouraging employees to develop skills and long term career paths and work/life balance. Lastly, in relation to the community, the most common activity involved donating to charity. Having employees volunteer on behalf of the firm and having recruitment and purchasing policies in favor of the local community are also popular activities. There was a positive correlation noted between extent of many CSR activities and firm size. There was also an indication of an industry specification in relation to many CSR activities (Sweeney and Coughlan, 2008). Thus, this research has provided insight into the type of activities undertaken by firms operating in Ireland and the extent to which these activities are undertaken. It also indicates those CSR activities which are more common among larger firms than SMEs and those activities which appear to be industry specific.

The third objective of this research seeked to assess the relationship between CSR and financial performance. This represents the most questioned area of CSR (Angelidis et al, 2008). While a lot of research points in favor of a mild positive relationship (Orlizky et al, 2003), this connection has not been fully established (Neville et al, 2005; Prado-Lorenzo et al, 2008; Park and Lee, 2009) and the mechanisms through which financial performance is enhanced by CSR is not well understood (Jawahar and McLoughlin, 2001; Doh et al, 2009). This research found that very few respondents indicated that CSR has a strong impact on financial performance either positivly (1.1%) or negativly (.6%). In line with findings from Hitchens et al (2003) the majority of respondents (68.2%) indicated that CSR has no impact on financial performance. In agreement with Brammer et al (2007) and Tsoutsoura (2004) 24.2% of respondents felt CSR has a positive impact on financial performance. While just 7.3% agree with Moore (2001) that the financial impact of CSR is negative.

Deeper analysis of the perception of firms operating in Ireland in relation to the nature of this relationship indicates that the majority of respondents felt the finanical implications of CSR are experienced in the long term. Thus, CSR can be viewed as a long term investment. Mixed results were found for the argument that firms must first be profitable before undertaking CSR. This finding may support the argument made by many authors (Orlizky, 2005; Balabanis et al, 1998; Waddock and Graves, 1997a) that a virtous circle exists and causation runs in both directions in that financial perfomrance provides the resources to undertake CSR activities which in turn enhance financial performance.

Turing to the measurement of this relationship, this research used a more sophisticated and advanced research methodology than previously used in this area to assess and explain the nature of the relationship between these two variables. Structural equation modelling has been used in CSR (Johnson and Grenning, 1999) but not to test this relationship, despite recommendations from Rowley and Berman (2000) that SEM may provide insight into the relationship between CSR and financial performance.

Thus, the main contribution of this research is that it answers the call made by many authors (for example Harrison and Freeman, 1999; Hillman and Keim, 2001) to provide a more fine grained understanding of the relationship between CSR and financial performance. Peterson (2004) and Carroll (2000) argue that literature has moved away from measuring a correlation between a measure of CSR and a measure of financial performance. According to Fombrun et al (2000) a simple correlation between these two variables is not appropriate because CSR impacts the bottom line via intermediary routes. This research has embraced this new approach and not only tested the direct relationship between CSR and financial perfomrance but also tested the relationship between CSR and each proposed benefit of CSR.

A review of current literature highlighted that these intermediary routes are employee attraction, motivation and retention (Waddock et al, 2002; Turban and Greening, 2000), customer attraction and loyalty (Williams, 2005; Dawkins and Lewis, 2003), enhanced reputation (Lancaster, 2004; Whooley, 2004) and easier access to capital (Roberts et al, 2002; Waddock and Graves, 1997). LISREL, representing the most commonly used computer package for SEM (Shook et al, 2004) was employed in this research to test the relationship between CSR and financial performance directly and also to test the relationship between these two variables via intermediary routes.

The first finding from this analysis is that a weak positive relationship was found between CSR and financial performance when analyzed directly. Other studies have also found a weak positive relationship between the variables (Hitchens et al, 2003; Rocha, 2006; Weber and More, 2003). With regard to the current study, it is through an analysis of the indirect relationships that insights are developed and this research makes an important contribution to the literature. CSR was found to have a strong positive relationship with social reputation, employee attraction, motivation and retention and consumer attraction and loyalty but a weaker relationship with other business benefits proposed to result from CSR, namely; access to capital and business reputation. This research therefore provides a more detailed understanding of the relationship between CSR and financial performance.

Doh et al (2009) argue that the mechanism through which financial performance is enhanced by CSR is not well understood, a point which was made earlier by Jawahar and McLaughlin (2001). This research has provided insight into the intermediary variables in the relationship of financial performance with CSR which helps explain the weak positive relationship found in earlier studies between CSR and financial performance.

According to current literature when analyzing the relationship between CSR and financial performance, it is necessary to control for the impact of two variables; namely, size (Moore, 2001; Goldsby, 2008) and industry (Mittal et al, 2008; Park and Lee, 2009). This research not only included these control variables but analysed the relationship between CSR and financial performance with these two control variables included and separately with no control variables. This research has found that industry had an insignificant impact on the relationship between CSR and financial performance. It found that size has an impact on CSR, in particular environmental performance. The research also found that size has a significant impact on access to capital and employee attraction, motivation and retention. Given that industry has no impact on the variables within the model and size has an impact on very few it is not surprising to find Chi square difference tests indicate a non significant difference between all models with and without control variables.

This research has made an important contribution to the literature through the development of the measurement scale of CSR. The concept is extremely difficult to measure (Karake, 1998; McGehee et al, 2009) due mainly to the lack of a universally accepted definition (Morimoto et al, 2004). In line with current literature (for example Lepoutre and Heene, 2006; Gulyas, 2009) this research defined CSR activities among the four stakeholder groups of employees, customers, environment and community.

Thus, this research meets Jones (1995) and Park and Lee (2009) challenge to broaden the construct of CSR to encompass multiple stakeholders. The scale items were taken from previous research in the area and the findings from the interview stage of research. The scale was analysed using LISREL. A refined scale of twelve items was produced and met all the fit index requirements and had excellent face validity and internal reliability as measured by composite reliability and average variance extracted. This research has thus contributed to the gap in research which has frustrated researchers wanting to measure and report real performance in CSR (Baker, 2006).

It is well acknowledged that all organizations have an impact on society and as such CSR is an important issue in recent years (Fox, 2005; Burton and Goldsby, 2009; Moore and Spence, 2006). However, SMEs remain an overlooked sector in CSR literature (Perrini and Minoja, 2008; Ciliberti et al, 2008). This research comprised a combination of small (30%), medium (40.5%) and large (29.5%) firms. In determining an operational meaning of CSR and uncovering the nature, type and extent of CSR of firms operating in Ireland, the research differentiates between large firms and SMEs. Thus this research contributes to the much needed insight into CSR in SMEs (Ciliberti et al, 2008; Perrini and Minoja, 2008).

Lastly, O'Dwyer (2003) argues that the rapid economic growth of Ireland has exacerbated pressure on the environment and thus makes the area of CSR particularly important in Ireland (Hoven Stoh and Brannick, 1999). However, there is a lack of attention to, and discussion of, CSR in Ireland (Hoven Stohs and Brannick 1999; O'Dwyer 2003; O'Dwyer et al 2005). Thus, this research contributes to filling this gap and provides a new perspective on CSR in Ireland.

8.3 Limitations of the Research

A first limitation of this research is that information has been obtained at a single point in time. It was noted that the most common criticism of LISREL and other statistical analysis packages is the failure to test the directionality of relationships (Kelloway, 1998; Hopkins, 2003). A longtitudinal study may provide more detailed information regarding the relationship between CSR and financial performance as it would allow financial performance to be measured over time as levels of CSR changed. This has been the approach taken by McGuire et al (1988) and many others. Cross sectional studies can analyse correlation between variables, however as noted by Reeneboog et al (2008) correlation does not imply causation.

A second limitation of this study is the fact that the measure of CSR is obtained from responses to survey questions on the extent of involvement in activities geared toward customers, employees, the environment and community. The survey method has been employed in the measurement of CSR previously (Morf et al, 1999; Maignan and Ferrell, 2000). However, a key limitation of this method is the possibility of social desirability bias (respondents over estimating their CSR). This has been noted in chapter five along with the remedies put in place to reduce this including forced-choice items of survey questions (Nederhof, 1985), careful phrasing of questions (King and Bruner, 2000) and anonymity of respondents (Randall and Fernanches, 1991; Zerbe and Paulhus, 1987; Bryman, 1988). In addition, through the use of the survey method this research analysed the perception of CSR and financial performance rather than actual measures of each construct.

Thirdly, this research focused on the four stakeholders; employees, customers, environment and community. It was found in the literature (Lepoutre and Heene, 2006; Gulyas, 2009) and the findings of interview stage of research that these represent the main stakeholder groups. However, these are not the only stakeholders of an organisation; other primary stakeholders include suppliers and shareholders or secondary stakeholders such as the media (Metcalfe, 1998; Maignan and Ferrell, 2001).

This research relied on a single respondent from each organisation. Due to the importance of the respondent's perception of CSR activities in the firm and the impact of such activities a better approach may have been to survey multiple respondents from each organisation. However, research has noted that surveys often suffer from a low response rate (Rea and Parker, 1992) and in particular that the subject matter of CSR often results in low response rate (Spence and Lozano, 2000) as too is the case when researching SMEs (Graafland et al, 2003; Gimenez et al, 2003). As such, it would be very difficult to achieve uptake of multiple respondents from each organisation and within the SME context it may be difficult to find multiple informed respondents on CSR issues. An increase in sample size would also have lead to increased costs, which was a constraint of this research.

Lastly, research focused only on firms operating in Ireland. This is in response to the limited research on CSR in Ireland (Hoven Stohs and Brannick 1999; O'Dwyer 2003; O'Dwyer et al 2005). However, as a result of focusing solely on firms operating in Ireland, the results of this research may not be applicable to firms outside Ireland.

8.4 Recommendations for Future Research

For future research, it is recommended that a longtitudinal study be adopted. This may provide deeper insight into the relationship between CSR and financial performance, in particular the impact of CSR on employee attraction, motivation and retention, customer attraction and loyalty, reputation, access to capital and financial performance. A longtitudinal study would allow assessment of the directionality of the relationship between CSR and the above business benefits rather than simply assessing the correlation between them.

In addition, to provide a more detailed understanding of the impact of CSR future research may study all relevant stakeholders rather than relying on the perception of managers. For example, future research may collect the information regarding the impact of CSR on employee attraction, motivation and retention directly from employees. Also, the impact of CSR on customer attraction and loyalty could be assessed from the perspective of the firm's customers and so on. Such an approach would require a lot of detailed information from each organisation and a case study approach may provide the best method of obtaining such information.

It is also proposed that a case study approach may provide a clearer understanding of the nature, type and extent of CSR within the particular organisation(s). It may also provide insight into the motivation for undertaking CSR and the impact of such activities. Lastly, it was noted earlier that a limitation of this research is the focus on a single country. Future research may include other countries which would allow for comparison between countries.

8.5 Managerial Implications

It was noted in this research that less than half of respondents communicate their CSR efforts. While other studies have found disclosure of CSR activities to be quite extensive among respondents (Ciliberti et al, 2008), the findings of this study are in line with O'Dwyer et al (2005) argument that CSD is less popular in Ireland. In addition, there was found to be a statistically significant difference in disclosure between multinational organizations and Irish indigenous firms. This represents a missed opportunity from firms operating in Ireland. Later findings indicated that there are financial benefits to be obtained from CSR, however, these benefits will only be obtained once the CSR efforts of the firm are adequately communicated to the relevant stakeholders. It is recommended that those organizations implementing CSR activities communicate their efforts and obtain the financial benefits of undertaking CSR, namely enhanced employee attraction, motivation and retention; customer attraction and loyalty and enhanced social reputation.

The research noted a clear underutilization of company websites as a mode of CSD. Esrock and Leichly (1998) found 90% of a random sample of Fortune 500 company's websites had reference to at least one CSR issue, whereas only 6% of respondents in this study communicated their CSR efforts on their website. Again, it is advised that firm's utilize this readily available and cost effective media to communicate their CSR efforts.

A positive relationship was noted between CSR and the firm's ability to attract, motivate and retain employees. Previous research has outlined that CSR can increase employee motivation and commitment (Peterson, 2004; Schiebel and Pochtrager, 2003; Mittal et al, 2008) and retention (Hollender and Fenichell, 2004). While 30% of respondents indicated that they communicate their CSR efforts to employees, this again indicates missed opportunity. Firms should communicate their CSR efforts to current employees to increase commitment and retention rates of employees.

In addition only 6% of respondents indicated that they communicate their CSR activities to potential employees through graduate brochures. The firm's ability to attract quality employees may be significantly increased if they include their CSR activities in their communication with potential employees, an argument that has been made in the literature (Turban and Grenning, 200; Albinger and Freeman, 2000). Firms should therefore actively communicate their CSR efforts to potential employees.

Similarly, only 16% of respondents communicate their CSR efforts toward customers and only 3% communicate through external advertising. This study showed a strong relationship between CSR and customer attraction and loyalty. The results of this research would indicate there is an opportunity for more firms to communicate their

CSR efforts to customers which can ultimately lead to increased sales and customer loyalty.

This research found that there is a significant positive relationship between CSR and employee attraction, motivation and retention, customer attraction and loyalty and social reputation. In line with this, it is recommended that firms operating in Ireland increase their involvement in CSR. While 77% of respondents agreed or agreed strongly that their firm is a socially responsible firm a significant number of firms (23%) disagreed or only agreed to a small extent. In addition, this sample represents those agreeing to be involved in a study on CSR and involvement may be less among firms operating in Ireland in general.

Also, a significant number (36%) of small firms indicated a lack of involvement in CSR or involvement to only a small extent. This is in line with findings from Gulyas (2009). This research also found that firm size has an insignificacnt effect on the relationship between CSR and financial perfomrance. As such, SMEs can gain financially from involvement in CSR, this is in line with previous research (Orlitzky, 2005; Toyne, 2003; Jenkins, 2004b). Thus, it is recommended that SMEs enhance their involvement in CSR.

For firms wishing to initiate or enhance their involvement in CSR there was previously little understanding of the type of activities undertaken by firms operating in Ireland (O'Dwyer et al, 2005). This research, after reviewing the literature on the topic (Lepoutre and Heene, 2006; Kawanmura, 2003; Bhattacharya and Shankar, 2004) and findings from the interview stage of research developed a scale of CSR with activities falling under the four main stakeholder; employees, customers, the environment and community. The scale was analysed using LISREL. A refined scale of twelve items was produced and met all the fit index requirements and had excellent face validity and internal reliability as measured by composite reliability and average variance extracted. Thus, guidance has been provided to firms wishing to undertake CSR as to the type of activities currently undertaken in Ireland.

While the term CSR has been criticized in literature (Valletin, 2009; Valor, 2005) and alternatives such as Corporate Social Responsiveness (Sturdivant and Ginter, 1977) and Corporate Social Perfomrance (Ruf et al, 1998) have been offered. However, both the interview and survey findings indicate that CSR is the most appropriate and universally understood term. Thus, this research recommends firms use the term CSR, especially in publically communicated material.

In summary, this research set out to study the current practice of CSR and to examine the relationship between CSR and financial performance using structural equation modeling. It is in the latter that the main contribution of this research has been made. This research has answered the call by many authors (Harrison and Freeman, 1999; Hillman and Keim, 2001) and provided a more detailed understanding of the relationship between CSR and financial performance. In line with previous research (Weber and More, 2003; Rocha, 2006) a weak positive relationship was found between CSR and financial performance, however a more detailed analysis found a strong relationship between CSR and social reputation, employee attraction, motivation and retention and customer attraction and loyalty but a weaker relationship was noted between CSR and access to capital and business reputation. Thus, this research has provided a more detailed understanding of the relationship between CSR and financial performance.

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Appendix 5A
Cover Letter

Dear (enter name of respondent) ,

I am writing to you in regard to the enclosed questionnaire on Corporate Social Responsibility. This questionnaire relates to research that is being conducted nationwide and is undertaken through the Faculty of Business in the Dublin Institute of Technology (DIT).

The research aims to investigate the nature and extent of Corporate Social Responsibility currently undertaken in Ireland. Corporate Social Responsibility has been recognised as a major issue of importance in business by members of the European Union. Many studies have been conducted in European States and elsewhere. However, research on Corporate Social Responsibility in Ireland is somewhat lagging behind. This research represents the first major investigation of Corporate Social Responsibility in Ireland.

There are two methods to complete the questionnaire. The first is to fill out the enclosed questionnaire and return it in the return envelope enclosed. The second is to complete the survey online, to receive a link to the online survey please send me a email (details below). Both methods treat all information received with the utmost confidentiality. All data will be anonymous and no inferences regarding any individual firm will be made.

If you require more information or assistance or would like to receive a copy of the results please do not hesitate to contact either myself or my research supervisor, Dr Joseph Coughlan at the contact details provided below.

If this letter has arrived to you in error please pass it on to the person with responsibility for Corporate Social Responsibility in your firm.

Thank you for your assistance in this important research.

Kind Regards

____

Lorraine Sweeney
PhD research student, Dublin Institute of Technology

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Appendix 5B
Research Survey

Appendix 6A
Anova Test
Education of Respondent & Community Involvement

Highest level of education achieved by respondent * extent to which firm donates to charity Crosstabulation

			extent to which firm donates to charity				
			not at all	to a small extent	to a medium extent	to quite a large extent	to a great extent
highest level of education achieved by respondent	primary school	Count	0	0	3	0	1
		% within highest level of education achieved by respondent	.0%	.0%	75.0%	.0%	25.0%
	PhD	Count	0	0	1	2	1
		% within highest level of education achieved by respondent	.0%	.0%	25.0%	50.0%	25.0%
	leaving certificate	Count	2	1	4	2	1
		% within highest level of education achieved by respondent	20.0%	10.0%	40.0%	20.0%	10.0%
	degree	Count	2	7	33	31	19
		% within highest level of education achieved by respondent	2.2%	7.6%	35.9%	33.7%	20.7%
	masters	Count	0	4	6	19	6
		% within highest level of education achieved by respondent	.0%	11.4%	17.1%	54.3%	17.1%
	Post Grad	Count	0	2	6	4	0
		% within highest level of education achieved by respondent	.0%	16.7%	50.0%	33.3%	.0%
	Professional qualification	Count	0	3	9	4	4
		% within highest level of education achieved by respondent	.0%	15.0%	45.0%	20.0%	20.0%
Total		Count	4	17	62	62	32
		% within highest level of education achieved by respondent	2.3%	9.6%	35.0%	35.0%	18.1%

Highest level of education achieved by respondent * extent to which employees volunteer on behalf of the firm Crosstabulation

			extent to which employees volunteer on behalf of the firm				
			not at all	to a small extent	to a medium extent	to quite a large extent	to a great extent
highest level of education achieved by respondent	primary school	Count	1	1	2	0	0
		% within highest level of education achieved by respondent	25.0%	25.0%	50.0%	.0%	.0%
	PhD	Count	0	0	0	4	0
		% within highest level of education achieved by respondent	.0%	.0%	.0%	100.0%	.0%
	leaving certificate	Count	5	2	2	0	0
		% within highest level of education achieved by respondent	55.6%	22.2%	22.2%	.0%	.0%
	degree	Count	18	18	24	28	5
		% within highest level of education achieved by respondent	19.4%	19.4%	25.8%	30.1%	5.4%
	masters	Count	3	8	8	13	3
		% within highest level of education achieved by respondent	8.6%	22.9%	22.9%	37.1%	8.6%
	Post Grad	Count	2	3	4	3	0
		% within highest level of education achieved by respondent	16.7%	25.0%	33.3%	25.0%	.0%
	Professional qualification	Count	4	3	6	3	4
		% within highest level of education achieved by respondent	20.0%	15.0%	30.0%	15.0%	20.0%
Total		Count	33	35	46	51	12
		% within highest level of education achieved by respondent	18.6%	19.8%	26.0%	28.8%	6.8%

Highest level of education achieved by respondent * extent to which firm is involved in projects with local community Crosstabulation

			extent to which firm is involved in projects with local community				
			not at all	to a small extent	to a medium extent	to quite a large extent	to a great extent
highest level of education achieved by respondent	primary school	Count	2	0	2	0	0
		% within highest level of education achieved by respondent	50.0%	.0%	50.0%	.0%	.0%
	PhD	Count	0	0	1	2	1
		% within highest level of education achieved by respondent	.0%	.0%	25.0%	50.0%	25.0%
	leaving certificate	Count	4	3	2	0	1
		% within highest level of education achieved by respondent	40.0%	30.0%	20.0%	.0%	10.0%
	degree	Count	20	15	27	17	14
		% within highest level of education achieved by respondent	21.5%	16.1%	29.0%	18.3%	15.1%
	masters	Count	3	7	9	14	2
		% within highest level of education achieved by respondent	8.6%	20.0%	25.7%	40.0%	5.7%
	Post Grad	Count	3	4	3	2	0
		% within highest level of education achieved by respondent	25.0%	33.3%	25.0%	16.7%	.0%
	Professional qualification	Count	6	3	3	3	5
		% within highest level of education achieved by respondent	30.0%	15.0%	15.0%	15.0%	25.0%
Total		Count	38	32	47	38	23
		% within highest level of education achieved by respondent	21.3%	18.0%	26.4%	21.3%	12.9%

Highest level of education achieved by respondent * purchasing policies in place that favour local community Crosstabulation

			purchasing policies in place that favour local community				
			not at all	to a small extent	to a medium extent	to quite a large extent	to a great extent
highest level of education achieved by respondent	primary school	Count	0	1	0	2	1
		% within highest level of education achieved by respondent	.0%	25.0%	.0%	50.0%	25.0%
	PhD	Count	0	1	1	1	1
		% within highest level of education achieved by respondent	.0%	25.0%	25.0%	25.0%	25.0%
	leaving certificate	Count	6	1	1	1	1
		% within highest level of education achieved by respondent	60.0%	10.0%	10.0%	10.0%	10.0%
	degree	Count	15	17	20	31	9
		% within highest level of education achieved by respondent	16.3%	18.5%	21.7%	33.7%	9.8%
	masters	Count	5	7	12	8	3
		% within highest level of education achieved by respondent	14.3%	20.0%	34.3%	22.9%	8.6%
	Post Grad	Count	3	2	2	5	0
		% within highest level of education achieved by respondent	25.0%	16.7%	16.7%	41.7%	.0%
	Professional qualification	Count	3	2	6	8	1
		% within highest level of education achieved by respondent	15.0%	10.0%	30.0%	40.0%	5.0%
Total		Count	32	31	42	56	16
		% within highest level of education achieved by respondent	18.1%	17.5%	23.7%	31.6%	9.0%

Highest level of education achieved by respondent * recruitment policies in place that favour local community Crosstabulation

			recruitment policies in place that favour local community				
			not at all	to a small extent	to a medium extent	to quite a large extent	to a great extent
highest level of education achieved by respondent	primary school	Count	0	1	2	1	0
		% within highest level of education achieved by respondent	.0%	25.0%	50.0%	25.0%	.0%
	PhD	Count	0	2	1	1	0
		% within highest level of education achieved by respondent	.0%	50.0%	25.0%	25.0%	.0%
	leaving certificate	Count	3	2	2	0	3
		% within highest level of education achieved by respondent	30.0%	20.0%	20.0%	.0%	30.0%
	degree	Count	18	6	24	29	13
		% within highest level of education achieved by respondent	20.0%	6.7%	26.7%	32.2%	14.4%
	masters	Count	4	6	9	9	5
		% within highest level of education achieved by respondent	12.1%	18.2%	27.3%	27.3%	15.2%
	Post Grad	Count	1	2	5	2	2
		% within highest level of education achieved by respondent	8.3%	16.7%	41.7%	16.7%	16.7%
	Professional qualification	Count	2	0	10	5	3
		% within highest level of education achieved by respondent	10.0%	.0%	50.0%	25.0%	15.0%
Total		Count	28	19	53	47	26
		% within highest level of education achieved by respondent	16.2%	11.0%	30.6%	27.2%	15.0%

Appendix 6B
Anova Test
Locality of Respondent & Community Involvement

Respondent living in local area in which firm is located * recruitment policies in place that favour local community Crosstabulation

			recruitment policies in place that favour local community				
			not at all	to a small extent	to a medium extent	to quite a large extent	to a great extent
respondent living in local area in which firm is located	yes	Count	14	16	41	34	18
		% within respondent living in local area in which firm is located	11.4%	13.0%	33.3%	27.6%	14.6%
	no	Count	15	3	16	14	8
		% within respondent living in local area in which firm is located	26.8%	5.4%	28.6%	25.0%	14.3%
Total		Count	29	19	57	48	26
		% within respondent living in local area in which firm is located	16.2%	10.6%	31.8%	26.8%	14.5%

Respondent living in local area in which firm is located * extent to which firm is involved in projects with local community Crosstabulation

			extent to which firm is involved in projects with local community				
			not at all	to a small extent	to a medium extent	to quite a large extent	to a great extent
respondent living in local area in which firm is located	yes	Count	23	20	38	30	14
		% within respondent living in local area in which firm is located	18.4%	16.0%	30.4%	24.0%	11.2%
	no	Count	16	12	13	8	10
		% within respondent living in local area in which firm is located	27.1%	20.3%	22.0%	13.6%	16.9%
Total		Count	39	32	51	38	24
		% within respondent living in local area in which firm is located	21.2%	17.4%	27.7%	20.7%	13.0%

Respondent living in local area in which firm is located * extent to which firm donates to charity Crosstabulation

			extent to which firm donates to charity				
			not at all	to a small extent	to a medium extent	to quite a large extent	to a great extent
respondent living in local area in which firm is located	yes	Count	2	9	43	51	19
		% within respondent living in local area in which firm is located	1.6%	7.3%	34.7%	41.1%	15.3%
	no	Count	2	8	19	16	14
		% within respondent living in local area in which firm is located	3.4%	13.6%	32.2%	27.1%	23.7%
Total		Count	4	17	62	67	33
		% within respondent living in local area in which firm is located	2.2%	9.3%	33.9%	36.6%	18.0%

Respondent living in local area in which firm is located * purchasing policies in place that favour local community Crosstabulation

			purchasing policies in place that favour local community				
			not at all	to a small extent	to a medium extent	to quite a large extent	to a great extent
respondent living in local area in which firm is located	yes	Count	19	23	30	39	14
		% within respondent living in local area in which firm is located	15.2%	18.4%	24.0%	31.2%	11.2%
	no	Count	14	8	14	19	3
		% within respondent living in local area in which firm is located	24.1%	13.8%	24.1%	32.8%	5.2%
Total		Count	33	31	44	58	17
		% within respondent living in local area in which firm is located	18.0%	16.9%	24.0%	31.7%	9.3%

Locality of Respondent & Community Activities

		Sum of Squares	df	Mean Square	F	Sig.
Extent to which firm donates to charity	Between Groups	.773	1	.773	1.558	**.213**
	Within Groups	93.206	188	.496		
	Total	93.979	189			
Extent to which employees volunteer on behalf of the firm	Between Groups	.149	1	.149	.204	**.652**
	Within Groups	137.514	188	.731		
	Total	137.663	189			
Extent to which firm is involved in projects with local community	Between Groups	1.383	1	1.383	1.908	**.169**
	Within Groups	136.983	189	.725		
	Total	138.366	190			
Purchasing policies in place that favour local community	Between Groups	.549	1	.549	.734	**.393**
	Within Groups	140.693	188	.748		
	Total	141.242	189			
Recruitment policies in place that favour local community	Between Groups	.382	1	.382	.576	**.449**
	Within Groups	122.096	184	.664		
	Total	122.478	185			

Appendix 7A
Composite Reliability & Average Variance Extracted Results for Measure of CSR

Environment Performance	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared
To what extent is your firm involved in Waste Reduction	0.93	0.3	0.8649	0.09
To what extent is your firm involved in Energy Conservation	0.89	0.24	0.7921	0.0576
To what extent is your firm involved in Reduction of Water Consumption	0.8	0.68	0.64	0.4624
SUM	2.62	1.22	2.297	0.61
SUM SQUARED	6.8644			
Composite Reliability	**0.849092**			
Average Variance Extracted	**0.653113**			

Customer Performance	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared
To what extent does your company resolve customer complaints in a timely manner?	0.52	0.23	0.2704	0.0529
To what extent is your organisation committed to providing value to customers?	0.46	0.25	0.2116	0.0625
SUM	0.98	0.48	0.482	0.1154
SUM SQUARED	0.9604			
Composite Reliability	**0.666759**			
Average Variance Extracted	**0.50104**			

Employee Performance	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared
To what extent does your organisation encourage employees to develop real skills and long term careers?	0.54	0.44	0.2916	0.1936
To what extent does your organisation ensure adequate steps are taken against all forms of discrimination?	0.59	0.24	0.3481	0.0576
To what extent does your organisation consult employees on important issues?	0.65	0.31	0.4225	0.0961
To what extent is your organisation committed to the health and safety of employees?	0.38	0.19	0.1444	0.0361
SUM	2.16	1.18	1.2066	0.3834
SUM SQUARED	4.6656			
Composite Reliability	**0.798139**			
Average Variance Extracted	**0.505573**			

Community Performance	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared
To what extent does your firm donate to charity?	0.69	0.39	0.4761	0.1521
To what extent are staff members involved in charity volunteer work on behalf of the firm?	0.92	0.46	0.8464	0.2116
To what extent is your company actively involved in a project(s) with the local community?	0.92	0.67	0.8464	0.4489
SUM	2.53	1.52	2.1689	0.8126
SUM SQUARED	6.4009			
Composite Reliability	**0.808103**			
Average Variance Extracted	**0.587953**			

Appendix 7B
Composite Reliability & Average Variance Extracted Results for Measure of Impact of CSR

Financial Performance	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared
How did the net profit of the firm in 2006 relate to expectations?	0.84	0.14	0.7056	0.0196
How did the sales of the firm in 2006 relate to the previous year?	0.48	0.59	0.2304	0.3481
How did the sales of the firm in 2006 relate to expectations?	0.74	0.16	0.5476	0.0256
SUM	2.06	0.89	1.4836	0.3933
SUM SQUARED	4.2436			
Composite Reliability	**0.826632**			
Average Variance Extracted	**0.625042**			

Employee Attraction, Motivation & Retention	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared
Impact of CSR on employee recruitment	0.76	0.21	0.5776	0.0441
Impact of CSR on employee retention	0.79	0.15	0.6241	0.0225
Impact of CSR on employee motivation	0.74	0.17	0.5476	0.0289
SUM	2.29	0.53	1.7493	0.0955
SUM SQUARED	5.2441			
Composite Reliability	**0.908211**			
Average Variance Extracted	**0.767472**			

Customer Attraction & Retention	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared
Impact of CSR on customer loyalty	0.53	0.26	0.0676	0.0676
Benefit from CSR: increased sales	0.93	0.13	0.8649	0.0169
Benefit from CSR: improved customer loyalty	0.91	0.17	0.8281	0.0289
SUM	2.37	0.56	1.7606	0.1134
SUM SQUARED	5.6169			
Composite Reliability	**0.90934**			
Average Variance Extracted	**0.758683**			

Social Reputation	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared
Rating you believe other firms in your sector would award the firm: Environmental responsibility	0.91	0.11	0.8281	0.0121
Rating you believe other firms in your sector would award the firm: Community responsibility	0.82	0.37	0.6724	0.1369
SUM	1.73	0.48	1.5005	0.149
SUM SQUARED	2.9929			
Composite Reliability	**0.861787**			
Average Variance Extracted	**0.757637**			
Reputation A (Social)	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared

Business Reputation	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared
Rating you believe other firms in your sector	0.83	0.15	0.6889	0.0225

would award the firm: Financial Performance				
Rating you believe other firms in your sector would award the firm: Long Term Investment Value	0.84	0.17	0.7056	0.0289
Rating you believe other firms in your sector would reward the firm: Quality of Prodcut & Services	0.64	0.2	0.4096	
Rating you believe other firms in your sector would reward the firm: Quality of Management	0.57	0.32	0.3249	
SUM	2.88	0.84	1.3945	0.0514
SUM SQUARED	8.2944			
Composite Reliability	**0.90804**			
Average Variance Extracted	**0.624077**			

Access to Capital	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared
Please indicate the extent to which you agree or disagree with the following statement 'This firm easily obtains finance from banks and other lending institutions'.	0.72	0.34	0.5184	0.1156
Please indicate the extent to which you agree or disagree with the following statement 'This firm easily obtains finance from investors'.	0.76	0.43	0.5776	0.1849
SUM	1.48	0.77	1.096	0.3005
SUM SQUARED	2.1904			
Composite Reliability	**0.7399**			
Average Variance Extracted	**0.587353**			

Appendix 7C
Chi Square Difference Tests

Chi Square difference test – CSR Measurement Model (with & without Control Variables).

HYPOTHESIS	CHISQ	DF	P-VALUE
EQUAL(H0)	137.8	73	0.0000070022
UNEQUAL(H1)	89.97	50	0.0004525481
DIFFERENCE	47.83	23	0.0017588694

Chi Square difference test – Direct Relationship Model (with & without Control Variables).

HYPOTHESIS	CHISQ	DF	P-VALUE
EQUAL(H0)	206.89	112	0.0000001259
UNEQUAL(H1)	153.45	85	0.0000078359
DIFFERENCE	53.44	27	0.0017803015

Chi Square difference test – Fully Mediated Model (with & without Control Variables).

HYPOTHESIS	CHISQ	DF	P-VALUE
EQUAL(H0)	977.98	439	0.000000000000000000
UNEQUAL(H1)	783.35	363	0.000000000000000000
DIFFERENCE	194.63	76	0.000000000002312708

Chi Square difference test – Partially Mediated Model (with & without Control Variables).

HYPOTHESIS	CHISQ	DF	P-VALUE
EQUAL(H0)	978.61	439	0.000000000000000000
UNEQUAL(H1)	805.76	362	0.000000000000000000
DIFFERENCE	172.85	77	0.000000002533151780

Chi Square difference test – Fully & Partially Mediated Models.

HYPOTHESIS	CHISQ	DF	P-VALUE
EQUAL(H0)	978.61	439	0.000000000
UNEQUAL(H1)	977.98	438	0.000000000
DIFFERENCE	0.63	1	0.427355314

Appendix 5A
Cover Letter

Dear (enter name of respondent) ,

I am writing to you in regard to the enclosed questionnaire on Corporate Social Responsibility. This questionnaire relates to research that is being conducted nationwide and is undertaken through the Faculty of Business in the Dublin Institute of Technology (DIT).

The research aims to investigate the nature and extent of Corporate Social Responsibility currently undertaken in Ireland. Corporate Social Responsibility has been recognised as a major issue of importance in business by members of the European Union. Many studies have been conducted in European States and elsewhere. However, research on Corporate Social Responsibility in Ireland is somewhat lagging behind. This research represents the first major investigation of Corporate Social Responsibility in Ireland.

There are two methods to complete the questionnaire. The first is to fill out the enclosed questionnaire and return it in the return envelope enclosed. The second is to complete the survey online, to receive a link to the online survey please send me a email (details below). Both methods treat all information received with the utmost confidentiality. All data will be anonymous and no inferences regarding any individual firm will be made.

If you require more information or assistance or would like to receive a copy of the results please do not hesitate to contact either myself or my research supervisor, Dr Joseph Coughlan at the contact details provided below.

If this letter has arrived to you in error please pass it on to the person with responsibility for Corporate Social Responsibility in your firm.

Thank you for your assistance in this important research.

Kind Regards

____

Lorraine Sweeney
PhD research student, Dublin Institute of Technology

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Highest level of education achieved by respondent * extent to which firm donates to charity Crosstabulation

			extent to which firm donates to charity				
			not at all	to a small extent	to a medium extent	to quite a large extent	to a great extent
highest level of education achieved by respondent	primary school	Count	0	0	3	0	1
		% within highest level of education achieved by respondent	.0%	.0%	75.0%	.0%	25.0%
	PhD	Count	0	0	1	2	1
		% within highest level of education achieved by respondent	.0%	.0%	25.0%	50.0%	25.0%
	leaving certificate	Count	2	1	4	2	1
		% within highest level of education achieved by respondent	20.0%	10.0%	40.0%	20.0%	10.0%
	degree	Count	2	7	33	31	19
		% within highest level of education achieved by respondent	2.2%	7.6%	35.9%	33.7%	20.7%
	masters	Count	0	4	6	19	6
		% within highest level of education achieved by respondent	.0%	11.4%	17.1%	54.3%	17.1%
	Post Grad	Count	0	2	6	4	0
		% within highest level of education achieved by respondent	.0%	16.7%	50.0%	33.3%	.0%
	Professional qualification	Count	0	3	9	4	4
		% within highest level of education achieved by respondent	.0%	15.0%	45.0%	20.0%	20.0%
Total		Count	4	17	62	62	32
		% within highest level of education achieved by respondent	2.3%	9.6%	35.0%	35.0%	18.1%

Highest level of education achieved by respondent * extent to which employees volunteer on behalf of the firm Crosstabulation

			extent to which employees volunteer on behalf of the firm				
			not at all	to a small extent	to a medium extent	to quite a large extent	to a great extent
highest level of education achieved by respondent	primary school	Count	1	1	2	0	0
		% within highest level of education achieved by respondent	25.0%	25.0%	50.0%	.0%	.0%
	PhD	Count	0	0	0	4	0
		% within highest level of education achieved by respondent	.0%	.0%	.0%	100.0%	.0%
	leaving certificate	Count	5	2	2	0	0
		% within highest level of education achieved by respondent	55.6%	22.2%	22.2%	.0%	.0%
	degree	Count	18	18	24	28	5
		% within highest level of education achieved by respondent	19.4%	19.4%	25.8%	30.1%	5.4%
	masters	Count	3	8	8	13	3
		% within highest level of education achieved by respondent	8.6%	22.9%	22.9%	37.1%	8.6%
	Post Grad	Count	2	3	4	3	0
		% within highest level of education achieved by respondent	16.7%	25.0%	33.3%	25.0%	.0%
	Professional qualification	Count	4	3	6	3	4
		% within highest level of education achieved by respondent	20.0%	15.0%	30.0%	15.0%	20.0%
Total		Count	33	35	46	51	12
		% within highest level of education achieved by respondent	18.6%	19.8%	26.0%	28.8%	6.8%

Highest level of education achieved by respondent * extent to which firm is involved in projects with local community Crosstabulation

			extent to which firm is involved in projects with local community				
			not at all	to a small extent	to a medium extent	to quite a large extent	to a great extent
highest level of education achieved by respondent	primary school	Count	2	0	2	0	0
		% within highest level of education achieved by respondent	50.0%	.0%	50.0%	.0%	.0%
	PhD	Count	0	0	1	2	1
		% within highest level of education achieved by respondent	.0%	.0%	25.0%	50.0%	25.0%
	leaving certificate	Count	4	3	2	0	1
		% within highest level of education achieved by respondent	40.0%	30.0%	20.0%	.0%	10.0%
	degree	Count	20	15	27	17	14
		% within highest level of education achieved by respondent	21.5%	16.1%	29.0%	18.3%	15.1%
	masters	Count	3	7	9	14	2
		% within highest level of education achieved by respondent	8.6%	20.0%	25.7%	40.0%	5.7%
	Post Grad	Count	3	4	3	2	0
		% within highest level of education achieved by respondent	25.0%	33.3%	25.0%	16.7%	.0%
	Professional qualification	Count	6	3	3	3	5
		% within highest level of education achieved by respondent	30.0%	15.0%	15.0%	15.0%	25.0%
Total		Count	38	32	47	38	23
		% within highest level of education achieved by respondent	21.3%	18.0%	26.4%	21.3%	12.9%

Highest level of education achieved by respondent * purchasing policies in place that favour local community Crosstabulation

			purchasing policies in place that favour local community				
			not at all	to a small extent	to a medium extent	to quite a large extent	to a great extent
highest level of education achieved by respondent	primary school	Count	0	1	0	2	1
		% within highest level of education achieved by respondent	.0%	25.0%	.0%	50.0%	25.0%
	PhD	Count	0	1	1	1	1
		% within highest level of education achieved by respondent	.0%	25.0%	25.0%	25.0%	25.0%
	leaving certificate	Count	6	1	1	1	1
		% within highest level of education achieved by respondent	60.0%	10.0%	10.0%	10.0%	10.0%
	degree	Count	15	17	20	31	9
		% within highest level of education achieved by respondent	16.3%	18.5%	21.7%	33.7%	9.8%
	masters	Count	5	7	12	8	3
		% within highest level of education achieved by respondent	14.3%	20.0%	34.3%	22.9%	8.6%
	Post Grad	Count	3	2	2	5	0
		% within highest level of education achieved by respondent	25.0%	16.7%	16.7%	41.7%	.0%
	Professional qualification	Count	3	2	6	8	1
		% within highest level of education achieved by respondent	15.0%	10.0%	30.0%	40.0%	5.0%
Total		Count	32	31	42	56	16
		% within highest level of education achieved by respondent	18.1%	17.5%	23.7%	31.6%	9.0%

Highest level of education achieved by respondent * recruitment policies in place that favour local community Crosstabulation

			recruitment policies in place that favour local community				
			not at all	to a small extent	to a medium extent	to quite a large extent	to a great extent
highest level of education achieved by respondent	primary school	Count	0	1	2	1	0
		% within highest level of education achieved by respondent	.0%	25.0%	50.0%	25.0%	.0%
	PhD	Count	0	2	1	1	0
		% within highest level of education achieved by respondent	.0%	50.0%	25.0%	25.0%	.0%
	leaving certificate	Count	3	2	2	0	3
		% within highest level of education achieved by respondent	30.0%	20.0%	20.0%	.0%	30.0%
	degree	Count	18	6	24	29	13
		% within highest level of education achieved by respondent	20.0%	6.7%	26.7%	32.2%	14.4%
	masters	Count	4	6	9	9	5
		% within highest level of education achieved by respondent	12.1%	18.2%	27.3%	27.3%	15.2%
	Post Grad	Count	1	2	5	2	2
		% within highest level of education achieved by respondent	8.3%	16.7%	41.7%	16.7%	16.7%
	Professional qualification	Count	2	0	10	5	3
		% within highest level of education achieved by respondent	10.0%	.0%	50.0%	25.0%	15.0%
Total		Count	28	19	53	47	26
		% within highest level of education achieved by respondent	16.2%	11.0%	30.6%	27.2%	15.0%

Appendix 6B
Anova Test
Locality of Respondent & Community Involvement

Respondent living in local area in which firm is located * recruitment policies in place that favour local community Crosstabulation

			recruitment policies in place that favour local community				
			not at all	to a small extent	to a medium extent	to quite a large extent	to a great extent
respondent living in local area in which firm is located	yes	Count	14	16	41	34	18
		% within respondent living in local area in which firm is located	11.4%	13.0%	33.3%	27.6%	14.6%
	no	Count	15	3	16	14	8
		% within respondent living in local area in which firm is located	26.8%	5.4%	28.6%	25.0%	14.3%
Total		Count	29	19	57	48	26
		% within respondent living in local area in which firm is located	16.2%	10.6%	31.8%	26.8%	14.5%

Respondent living in local area in which firm is located * extent to which firm is involved in projects with local community Crosstabulation

			extent to which firm is involved in projects with local community				
			not at all	to a small extent	to a medium extent	to quite a large extent	to a great extent
respondent living in local area in which firm is located	yes	Count	23	20	38	30	14
		% within respondent living in local area in which firm is located	18.4%	16.0%	30.4%	24.0%	11.2%
	no	Count	16	12	13	8	10
		% within respondent living in local area in which firm is located	27.1%	20.3%	22.0%	13.6%	16.9%
Total		Count	39	32	51	38	24
		% within respondent living in local area in which firm is located	21.2%	17.4%	27.7%	20.7%	13.0%

Respondent living in local area in which firm is located * extent to which firm donates to charity Crosstabulation

			extent to which firm donates to charity				
			not at all	to a small extent	to a medium extent	to quite a large extent	to a great extent
respondent living in local area in which firm is located	yes	Count	2	9	43	51	19
		% within respondent living in local area in which firm is located	1.6%	7.3%	34.7%	41.1%	15.3%
	no	Count	2	8	19	16	14
		% within respondent living in local area in which firm is located	3.4%	13.6%	32.2%	27.1%	23.7%
Total		Count	4	17	62	67	33
		% within respondent living in local area in which firm is located	2.2%	9.3%	33.9%	36.6%	18.0%

Respondent living in local area in which firm is located * purchasing policies in place that favour local community Crosstabulation

			purchasing policies in place that favour local community				
			not at all	to a small extent	to a medium extent	to quite a large extent	to a great extent
respondent living in local area in which firm is located	yes	Count	19	23	30	39	14
		% within respondent living in local area in which firm is located	15.2%	18.4%	24.0%	31.2%	11.2%
	no	Count	14	8	14	19	3
		% within respondent living in local area in which firm is located	24.1%	13.8%	24.1%	32.8%	5.2%
Total		Count	33	31	44	58	17
		% within respondent living in local area in which firm is located	18.0%	16.9%	24.0%	31.7%	9.3%

Locality of Respondent & Community Activities

		Sum of Squares	df	Mean Square	F	Sig.
Extent to which firm donates to charity	Between Groups	.773	1	.773	1.558	**.213**
	Within Groups	93.206	188	.496		
	Total	93.979	189			
Extent to which employees volunteer on behalf of the firm	Between Groups	.149	1	.149	.204	**.652**
	Within Groups	137.514	188	.731		
	Total	137.663	189			
Extent to which firm is involved in projects with local community	Between Groups	1.383	1	1.383	1.908	**.169**
	Within Groups	136.983	189	.725		
	Total	138.366	190			
Purchasing policies in place that favour local community	Between Groups	.549	1	.549	.734	**.393**
	Within Groups	140.693	188	.748		
	Total	141.242	189			
Recruitment policies in place that favour local community	Between Groups	.382	1	.382	.576	**.449**
	Within Groups	122.096	184	.664		
	Total	122.478	185			

Appendix 7A
Composite Reliability & Average Variance Extracted Results for Measure of CSR

Environment Performance	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared
To what extent is your firm involved in Waste Reduction	0.93	0.3	0.8649	0.09
To what extent is your firm involved in Energy Conservation	0.89	0.24	0.7921	0.0576
To what extent is your firm involved in Reduction of Water Consumption	0.8	0.68	0.64	0.4624
SUM	2.62	1.22	2.297	0.61
SUM SQUARED	6.8644			
Composite Reliability	**0.849092**			
Average Variance Extracted	**0.653113**			

Customer Performance	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared
To what extent does your company resolve customer complaints in a timely manner?	0.52	0.23	0.2704	0.0529
To what extent is your organisation committed to providing value to customers?	0.46	0.25	0.2116	0.0625
SUM	0.98	0.48	0.482	0.1154
SUM SQUARED	0.9604			
Composite Reliability	**0.666759**			
Average Variance Extracted	**0.50104**			

Employee Performance	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared
To what extent does your organisation encourage employees to develop real skills and long term careers?	0.54	0.44	0.2916	0.1936
To what extent does your organisation ensure adequate steps are taken against all forms of discrimination?	0.59	0.24	0.3481	0.0576
To what extent does your organisation consult employees on important issues?	0.65	0.31	0.4225	0.0961
To what extent is your organisation committed to the health and safety of employees?	0.38	0.19	0.1444	0.0361
SUM	2.16	1.18	1.2066	0.3834
SUM SQUARED	4.6656			
Composite Reliability	**0.798139**			
Average Variance Extracted	**0.505573**			

Community Performance	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared
To what extent does your firm donate to charity?	0.69	0.39	0.4761	0.1521
To what extent are staff members involved in charity volunteer work on behalf of the firm?	0.92	0.46	0.8464	0.2116
To what extent is your company actively involved in a project(s) with the local community?	0.92	0.67	0.8464	0.4489
SUM	2.53	1.52	2.1689	0.8126
SUM SQUARED	6.4009			
Composite Reliability	**0.808103**			
Average Variance Extracted	**0.587953**			

Appendix 7B
Composite Reliability & Average Variance Extracted
Results for Measure of Impact of CSR

Financial Performance	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared
How did the net profit of the firm in 2006 relate to expectations?	0.84	0.14	0.7056	0.0196
How did the sales of the firm in 2006 relate to the previous year?	0.48	0.59	0.2304	0.3481
How did the sales of the firm in 2006 relate to expectations?	0.74	0.16	0.5476	0.0256
SUM	2.06	0.89	1.4836	0.3933
SUM SQUARED	4.2436			
Composite Reliability	**0.826632**			
Average Variance Extracted	**0.625042**			

Employee Attraction, Motivation & Retention	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared
Impact of CSR on employee recruitment	0.76	0.21	0.5776	0.0441
Impact of CSR on employee retention	0.79	0.15	0.6241	0.0225
Impact of CSR on employee motivation	0.74	0.17	0.5476	0.0289
SUM	2.29	0.53	1.7493	0.0955
SUM SQUARED	5.2441			
Composite Reliability	**0.908211**			
Average Variance Extracted	**0.767472**			

Customer Attraction & Retention	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared
Impact of CSR on customer loyalty	0.53	0.26	0.0676	0.0676
Benefit from CSR: increased sales	0.93	0.13	0.8649	0.0169
Benefit from CSR: improved customer loyalty	0.91	0.17	0.8281	0.0289
SUM	2.37	0.56	1.7606	0.1134
SUM SQUARED	5.6169			
Composite Reliability	**0.90934**			
Average Variance Extracted	**0.758683**			

Social Reputation	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared
Rating you believe other firms in your sector would award the firm: Environmental responsibility	0.91	0.11	0.8281	0.0121
Rating you believe other firms in your sector would award the firm: Community responsibility	0.82	0.37	0.6724	0.1369
SUM	1.73	0.48	1.5005	0.149
SUM SQUARED	2.9929			
Composite Reliability	**0.861787**			
Average Variance Extracted	**0.757637**			
Reputation A (Social)	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared

Business Reputation	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared
Rating you believe other firms in your sector	0.83	0.15	0.6889	0.0225

would award the firm: Financial Performance				
Rating you believe other firms in your sector would award the firm: Long Term Investment Value	0.84	0.17	0.7056	0.0289
Rating you believe other firms in your sector would reward the firm: Quality of Prodcut & Services	0.64	0.2	0.4096	
Rating you believe other firms in your sector would reward the firm: Quality of Management	0.57	0.32	0.3249	
SUM	2.88	0.84	1.3945	0.0514
SUM SQUARED	8.2944			
Composite Reliability	**0.90804**			
Average Variance Extracted	**0.624077**			

Access to Capital	Loadings	Standardised Error	Loadings Squared	Standardised Error Squared
Please indicate the extent to which you agree or disagree with the following statement 'This firm easily obtains finance from banks and other lending institutions'.	0.72	0.34	0.5184	0.1156
Please indicate the extent to which you agree or disagree with the following statement 'This firm easily obtains finance from investors'.	0.76	0.43	0.5776	0.1849
SUM	1.48	0.77	1.096	0.3005
SUM SQUARED	2.1904			
Composite Reliability	**0.7399**			
Average Variance Extracted	**0.587353**			

Appendix 7C
Chi Square Difference Tests

Chi Square difference test – CSR Measurement Model (with & without Control Variables).

HYPOTHESIS	CHISQ	DF	P-VALUE
EQUAL(H0)	137.8	73	0.0000070022
UNEQUAL(H1)	89.97	50	0.0004525481
DIFFERENCE	47.83	23	0.0017588694

Chi Square difference test – Direct Relationship Model (with & without Control Variables).

HYPOTHESIS	CHISQ	DF	P-VALUE
EQUAL(H0)	206.89	112	0.0000001259
UNEQUAL(H1)	153.45	85	0.0000078359
DIFFERENCE	53.44	27	0.0017803015

Chi Square difference test – Fully Mediated Model (with & without Control Variables).

HYPOTHESIS	CHISQ	DF	P-VALUE
EQUAL(H0)	977.98	439	0.000000000000000000
UNEQUAL(H1)	783.35	363	0.000000000000000000
DIFFERENCE	194.63	76	0.000000000002312708

Chi Square difference test – Partially Mediated Model (with & without Control Variables).

HYPOTHESIS	CHISQ	DF	P-VALUE
EQUAL(H0)	978.61	439	0.000000000000000000
UNEQUAL(H1)	805.76	362	0.000000000000000000
DIFFERENCE	172.85	77	0.000000002533151780

Chi Square difference test – Fully & Partially Mediated Models.

HYPOTHESIS	CHISQ	DF	P-VALUE
EQUAL(H0)	978.61	439	0.000000000
UNEQUAL(H1)	977.98	438	0.000000000
DIFFERENCE	0.63	1	0.427355314

Corporate Social Responsibility in Ireland

As outlined in the cover letter, your participation enables us to benchmark best practice in Corporate Social Responsibility in Ireland, and areas in which it can be improved.
In appreciation, we would be delighted to offer you a summary of our key findings on completion of the study. Simply enclose a business card and we shall contact you later this year.

1. The Term CSR

1. Are you familiar with the term Corporate Social Responsibility? Yes ☐ No ☐

2. What is your understanding of the phrase 'Corporate Social Responsibility'?

____

____

3. Please indicate which word(s) you would use to describe the term Corporate Social Responsibility:

Self explanatory	☐	Straight forward	☐
Unclear meaning	☐	Firm specific	☐
Complex	☐	Academic	☐

Other, please specify ____

4. Please indicate the term used by your organization when referring to the social and environmental activities of the firm (if a term other than CSR is used).

____

5. To what extent do you agree or disagree with the following statement 'The primary responsibility of business is to make a profit'?

Not at all 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ A great extent

2. CSR within the Firm

This research incorporates the European Union definition of CSR as 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis'.

1. Please indicate the extent to which you agree or disagree with the following statement "Our firm is a socially responsible firm".

Strongly Disagree 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Strongly Agree

2. Please indicate the extent to which you agree or disagree with the following statement "The CSR activities of the firm are conducted on a regular basis".

Strongly Disagree 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Strongly Agree

3. Please indicate the extent to which you agree or disagree with the following statement "Our CSR activities are closely related to our business strategy".

Strongly Disagree 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Strongly Agree

4. Please indicate the extent to which each of the following factors motivated your firm to undertake CSR.

Please circle **ONE** from **EACH** row	Not at all				To a great extent
Ethical and moral reasons	1	2	3	4	5
To improve community relations	1	2	3	4	5
To improve customer loyalty	1	2	3	4	5
To improve employee motivation	1	2	3	4	5

To improve relations with business partners/ investors	1	2	3	4	5
To improve economic performance	1	2	3	4	5
Pressure from third parties (e.g. clients or competitors)	1	2	3	4	5
To avail of public incentives (e.g. tax incentives)	1	2	3	4	5
To preserve or improve the reputation of the company	1	2	3	4	5
A commitment to reducing the company's impact on the environment	1	2	3	4	5
To give something back to the community	1	2	3	4	5
Other, please specify ________________________________	1	2	3	4	5

5. Please indicate the extent to which you agree or disagree with the following statement "Small and medium sized companies should pay significant attention to their social and environmental responsibilities".

Strongly Disagree 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Strongly Agree

6. Please indicate the extent to which any of the following act as a barrier to furthering your firm's CSR activities.

Please circle **ONE** from **EACH** row	Not at all				To a great extent
Lack of time	1	2	3	4	5
Lack of money	1	2	3	4	5
Not related to the activities of the firm	1	2	3	4	5
CSR is not an issue for a firm of this size	1	2	3	4	5
Lack of human resources	1	2	3	4	5
Other, please specify ________________________________	1	2	3	4	5

3. Management of CSR

1. Who is responsible for CSR within your firm (job title)? ________________________________

2. If there is a manager or department devoted to the management of CSR, please indicate the length of time that position/department is in place.

Less than 6 months ☐ 6 months – 2 years ☐ 2 – 5 years ☐ More than 5 years ☐ No Manager/Department ☐

3. Please indicate the level of involvement of senior management in the CSR activities of the firm.

Not at all 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ A great deal

4. Please indicate the importance of senior management involvement in the CSR activities of the firm.

Not at all 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ A great deal

5. Does your company communicate its CSR activities?

Yes ☐ No ☐ *If no please skip the following 2 questions and go to Section 4.*

6. To whom does your organisation communicate its CSR activities?

____

7. What mode(s) of communication are used by your organisation to communicate its CSR activities?

____

4. Activities - Environment

1. To what extent is your firm involved in the following?

Please circle **ONE** from **EACH** row

	Not at all				To a great extent
Waste reduction	1	2	3	4	5
Recycling	1	2	3	4	5
Energy conservation	1	2	3	4	5
Reduction of water consumption	1	2	3	4	5
Reduction of air pollutant	1	2	3	4	5
Reduction in packaging	1	2	3	4	5
Sustainable transportation	1	2	3	4	5
Other, please specify ______________________	1	2	3	4	5

2. To what extent does your organisation consider environmental impact when developing new products (such as energy usage, recyclability, pollution)?

Not at all 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ A great extent

3. To what extent does your organisation use environmentally friendly (i.e. biodegradable/ recyclable) packaging/containers?

Not at all 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ A great extent

4. Please describe any CSR activities carried out by the firm that are oriented toward the ENVIRONMENT, or any comments on the questions above.

____

____

5. Activities - Customers

1. To what extent does your company supply clear and accurate information and labelling about products and services, including after sales service?

Not at all 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ A great extent

2. To what extent does your company resolve customer complaints in a timely manner?

Not at all 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ A great extent

3. To what extent are quality assurance criteria adhered to in production?

Not at all 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ A great extent

4. To what extent is your organisation committed to providing value to customers?

Not at all 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ A great extent

5. To what extent has the issue of accessibility (disabled customers for example) been considered in the company?

Not at all 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ A great extent

6. Please describe any CSR activities carried out by the firm that are oriented toward CUSTOMERS, or any comments on the questions above.

____

____

6. Activities - Employees

1. How does the wage rate of your firm relate to the average wage rate of the sector in which your firm operates?

Much lower than average 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Much higher than average

2. To what extent does your organisation encourage employees to develop real skills and long term careers (via Performance Appraisal and Training & Development)?

Not at all 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ A great extent

3. To what extent does your organisation ensure adequate steps are taken against all forms of discrimination?

Not at all 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ A great extent

4. To what extent does your organisation consult employees on important issues?

Not at all 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ A great extent

5. To what extent is your organisation committed to the health and safety of employees?

Not at all 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ A great extent

6. To what extent does your firm ensure a work/life balance among employees?

Not at all 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ A great extent

7. Please describe any CSR activities carried out by the firm that are oriented toward EMPLOYEES, or any comments on the questions above.

____

____

7. Activities - Community

1. To what extent does your firm donate to charity?

Not at all 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ A great extent

2. To what extent are staff members involved in charity volunteer work on behalf of the firm?

Not at all 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ A great extent

3. To what extent is your company actively involved in a project(s) with the local community?

Not at all 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ A great extent

4. To what extent does your company have purchasing policies that favour the local communities in which it operates?

Not at all 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ A great extent

5. To what extent does your company have recruitment policies that favour the local communities in which it operates?

Not at all 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ A great extent

6. **Please describe any CSR activities carried out by the firm that are oriented toward COMMUNITY, or any comments on the questions above.**

____

____

____

8. Employee Attraction, Motivation & Retention

1. **Please indicate the extent to which you agree or disagree with the following statement "This firm finds it easy to attract new recruits".**

Strongly Disagree 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Strongly Agree

2. **Please indicate the impact of the CSR activities of the firm on employee recruitment.**

Strong Negative Impact 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Strong Positive Impact

3. **How many employees left the organisation voluntarily during the year? (excluding those who left for reasons of dismissal, redundancy or retirement)** __________

4. **What is the average length of employment (tenure) in your organisation?**

Less than 1 year ☐ 1 - 3 years ☐ 3 - 5 years ☐ 5 - 10 years ☐ over 10 years ☐

5: **Please estimate the percentage of current employees that were recommended to the firm by other employees.**

0-20% ☐ 21-40% ☐ 41-60% ☐ 61-80% ☐ 81-100% ☐

6. **Please indicate the level of job satisfaction among employees in this firm.**

Highly Dissatisfied 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Highly Satisfied

7. **Please indicate the impact of the CSR activities of the firm on employee retention.**

Strong Negative Impact 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Strong Positive Impact

8. **Please indicate the level of motivation of employees in this firm.**

Highly De-motivated 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Highly Motivated

9. **Please indicate how you would describe the relationship between management and employees within the firm.**

Highly Negative Relationship 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Highly Positive Relationship

10. **How does the level of absenteeism in this firm relate to the average of the sector in which the firm operates?**

Much Lower than Average of Sector 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Much Higher than Average of Sector

11. **Please indicate the impact of the CSR activities of the firm on employee motivation.**

Strong Negative Impact 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Strong Positive Impact

9. Customer Attraction and Loyalty

1. Please estimate the percentage of sales in 2006 that were from repeat customers.

0-20% ☐ 21-40% ☐ 41-60% ☐ 61-80% ☐ 81-100% ☐

2. Please estimate the percentage of new sales in 2006 that came about as a result of recommendations from your current customers.

0-20% ☐ 21-40% ☐ 41-60% ☐ 61-80% ☐ 81-100% ☐

3. Please estimate the percentage of current customers you would describe as loyal customers (have a positive attitude about the company, recommend the firm/products to others and make repeat purchases).

0-20% ☐ 21-40% ☐ 41-60% ☐ 61-80% ☐ 81-100% ☐

4. Please indicate the impact of the CSR activities of the firm on customer loyalty.

Strong Negative Impact 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Strong Positive Impact

10. Reputation

1. Please indicate the rating you believe your CUSTOMERS would give your firm on the following criteria.

Please circle **ONE** from **EACH** row	Poor Performance				Excellent Performance
Quality products and services	1	2	3	4	5
Quality of staff	1	2	3	4	5
Environmental responsibility	1	2	3	4	5
Community responsibility	1	2	3	4	5

2. Please indicate the rating you believe your EMPLOYEES would give your firm on the following criteria.

Please circle **ONE** from **EACH** row	Poor Performance				Excellent Performance
Quality products and services	1	2	3	4	5
Quality of staff	1	2	3	4	5
Environmental responsibility	1	2	3	4	5
Community responsibility	1	2	3	4	5

3. Please indicate the rating you believe OTHER FIRMS IN YOUR SECTOR would give your firm on the following criteria.

Please circle **ONE** from **EACH** row	Poor Performance				Excellent Performance
Financial performance	1	2	3	4	5
Long term investment value	1	2	3	4	5
Quality products and services	1	2	3	4	5
Fair treatment of staff	1	2	3	4	5
Quality of management	1	2	3	4	5
Environmental responsibility	1	2	3	4	5
Community responsibility	1	2	3	4	5

4. Please indicate the impact of the firm's CSR activities on the reputation of the firm in general.

Strong Negative Impact 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Strong Positive Impact

11. Obtaining Finance

Reminder: All information provided is strictly confidential.

1. Please indicate the extent to which you agree or disagree with the following statement "This firm easily obtains finance from banks and other lending institutions".

Strongly Disagree 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Strongly Agree

2. Please indicate the impact of the CSR activities of this firm on it's ability to obtain finance from banks and other lending institutions.

Strong Negative Impact 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Strong Positive Impact

3. Please indicate the extent to which you agree or disagree with the following statement "This firms easily obtains finance from investors".

Strongly Disagree 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Strongly Agree

4. Please indicate the impact of the CSR activities of this firm on it's ability to obtain finance from investors.

Strong Negative Impact 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Strong Positive Impact

12. Financial Performance

Reminder: All information provided is strictly confidential.

1. Has your company been profitable for the last five years (or years of existence if less)?

Yes ☐ No ☐

2. How did the net profit of the firm in 2006 relate to the previous year?

Substantial increase from previous year ☐
Increase from previous year ☐
Same as previous year ☐
Decrease from previous year ☐
Substantial decrease from previous year ☐

3. Please indicate how net profit of the firm in 2006 related to expectations?

Much Lower than Expectations 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Much Higher than Expectations

4. How did sales of the firm in 2006 relate to the previous year?

Substantial increase from previous year ☐
Increase from previous year ☐
Same as previous year ☐
Decrease from previous year ☐
Substantial decrease from previous year ☐

5. Please indicate how sales of the firm in 2006 related to expectations?

Much Lower than Expectations 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Much Higher than Expectations

6. Please indicate the impact of the CSR activities of the firm on the financial performance of the firm.

Strong Negative Impact 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Strong Positive Impact

7. Please indicate the extent to which you agree or disagree with the following statement "The financial implications of CSR are experienced in the long term".

Strongly Disagree 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Strongly Agree

8. Please indicate the extent to which you agree or disagree with the following statement "A firm must first be profitable before undertaking CSR".

Strongly Disagree 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Strongly Agree

9. Please indicate the extent to which your organisation has experienced any of the following benefits from your CSR activities?

Please circle **ONE** from **EACH** row	Not at all				To a great extent
Improved community relations	1	2	3	4	5
Enhanced company image	1	2	3	4	5
Improved employee attraction	1	2	3	4	5
Improved employee motivation	1	2	3	4	5
Improved employee retention	1	2	3	4	5
Increased sales (customer attraction)	1	2	3	4	5
Improved customer loyalty	1	2	3	4	5
Reduced costs	1	2	3	4	5
Improved access to capital (Banks or investors)	1	2	3	4	5
Other, please specify ______________________	1	2	3	4	5

13. Company Information

1. How many staff members does your company employ?

less than 10 ☐ 10-50 ☐ 51-250 ☐ 251-500 ☐ Greater than 500 ☐

2. What is the core business of your organisation? ______________________

3. How many years has your business been in operation? ______________________

4. Is your company an Irish indigenous firm or an Irish subsidiary to a multinational firm?

Irish indigenous ☐ Irish subsidiary ☐

5. Is this firm a family owned business?

Yes ☐ No ☐

Respondent Information

Some theories argue that CSR is a reflection of certain characteristics of the person responsible for CSR, to assess this in an Irish context we require the following information. All information provided is strictly confidential.

1. What is your age (in years)? __________

2. Do you live in the local area in which your organisation is situated?

Yes ☐ No ☐

3. Please indicate your gender

Male ☐ **Female** ☐

4. How many children do you have? ________________

5. Please state the highest level of education you have successfully completed

____

6. What is your job title?_______________________________________

Thank you for completing the questionnaire, and your participation in this study is very much appreciated. If there are any additional comments that would be relevant to this study, please include them in the space provided below.

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In order to receive the results from this survey please include a business card. All individual details shall be held with the utmost confidentiality.

Please return your completed questionnaire in the stamped addressed envelope enclosed to:

Lorraine Sweeney, Room 4033, Doctoral Research, DIT, Aungier St. Dublin 2